

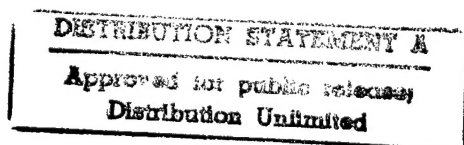
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16 JANUARY 1987

China Report

ECONOMIC AFFAIRS



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CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

LIU YI SPEAKS AT MEETING ON COMMERCIAL REFORM

OW051927 Beijing XINHUA in English 1656 GMT 5 Dec 86

[Text] Changchun, 5 Dec (XINHUA)--China will standardize management and services among commercial enterprises to deepen the reform of its commercial system, minister of commerce Liu Yi said here today.

"Standardized management" means running enterprises in line with comprehensive, systematic and scientific regulations.

Liu made the statement at a national meeting on such work ending here today.

In general, Liu said the reform of the commercial system involves four aspects -- policy readjustment, reform of the commercial structure and distribution, improvement of administrations system and restructuring of the management system of enterprises.

"We have achieved breakthroughs in the first two aspects, but the rest [as received] two have not kept the same pace," he said. "Large and medium-sized enterprises in particular have not yet put their reform in a comprehensive way."

Because of this, Liu said, many repeated and regular business activities lack standardized work order.

"Our general goal should be making enterprise management and services standardized, modernized and scientific," he said.

Large and medium-sized enterprises should concentrate on standardizing their management and services in a comprehensive way, he said.

Smaller enterprises, however, should mainly put themselves on mobilizing the initiatives of their workers under with the related policies, Liu said, adding that standards for these enterprises should be simpler.

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CSO: 4020/68

NATIONAL AFFAIRS, POLICY

COMMERCIAL MINISTER ADDRESSES CHANGCHUN MANAGEMENT MEETING

SK060353 Changchun Jilin Provincial Service in Mandarin 2200 GMT 5 Dec 86

[Text] The conference sponsored by the Ministry of Commerce on exchanging experience gained in standardizing the management of enterprise services concluded in Changchun City on 5 December. Minister of Commerce Liu Yi delivered a speech at the conference, in which he acknowledged the experience gained by the commercial enterprises of Changchun City in initially summing up standardized management and services. Such experiences have inspired other places very much and have been helpful to them.

During his speech, Comrade Liu Yi stated: Enforcing standardized management and services represents the important task of deepening the drive to conduct reform and accelerate the pace in changing enterprise management from depending on experience accumulated in work to relying on scientific methods. It also represents the political task of doing away with the bureaucratic commerce style and upgrading the faith of state commercial firms, and an important foundation to upgrade the business and service standards of enterprises and bring into play the guiding role of these enterprises.

Judging from the situation as a whole, conducting reforms in commercial systems consists of the following four aspects: 1) Adjusting commercial policies; 2) transforming social commercial structure and commodity circulation methods; 3) transforming commercial administrative and managerial systems; and 4) transforming management inside commercial enterprises.

In enforcing standardized management, efforts should be made to boldly create something new while putting forward demands suitable to the reality in line with the actual situation. The experience gained by Changchun City in conducting the overall quality control of commercial services can be summed up as the quality of selling commodities, the quality of labor services, and the quality of environmental management. Such experiences have an important and guiding significance in changing management from depending on experience accumulated in work to relying on scientific methods and represent a great contribution to the drive to conduct reforms.

At the conference, He Jihai, vice minister of commerce, delivered a summary speech, in which he pointed out: We have just started the work of standardizing management of enterprise services. Therefore, localities should uphold the principle of proceeding from the reality, formulating unified plans, and conducting guidance in line with different services so as to gradually deepen the enforcement of standardized management and services.

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CSO: 4006/211

NATIONAL AFFAIRS, POLICY

ZHU RONGJI URGES IMPROVEMENT OF PRODUCT QUALITY

OW101200 Beijing XINHUA in English 1040 GMT 10 Dec 86

[Text] Beijing, 10 Dec (XINHUA)--Zhu Rongji, vice-minister of the State Economic Commission, stressed here today that legal and economic means must be used to improve the quality of goods.

The selective examination of quality started from the third-quarter of last year, and if a factory receives two warnings about poor quality the director of the factory that makes the goods will be dismissed.

Zhu said this at a national conference on commodities inspection being held here.

He said the consumers should appeal to the law against the producers of low-quality goods. They can also arouse public opinion through consumers' associations, quality management associations and the press.

Zhu said it is necessary to introduce advanced techniques and the important apparatus to change the backward situation of the light and textile industries, as well as food and packaging industries to increase foreign exchange earnings and meet the demands of the markets.

There are still some repetitions of introduction and aimless import in technique introduction, especially in the import of the electrical apparatus, he said. More than 100 color TV production lines have been introduced and the production capacity of refrigerators, washing machines and radio recorders has surpassed the needs of the markets.

Zhu added, "it is a serious problem to control the import of electrical apparatus and it is imperative to solve this problem."

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CSO: 4020/68

NATIONAL AFFAIRS, POLICY

CIRCULAR ON FULFILLMENT OF 1986 ECONOMIC QUOTA

HK150735 Beijing JINGJI CANKAO in Chinese 5 Dec 86 p 1

["Circular by the State Economic Commission and the State Statistical Bureau on the Fulfillment of Principal Economic Targets in Industry and Transport Fields from January to September 1986"--passages within slantlines published in italics]

[Text] The State Economic Commission and the State Statistical Bureau jointly issued a circular on the fulfillment of principal economic targets in the industry and transport fields from January to September 1986. According to the circular, there have been new changes in industrial economic results in the first 9 months of this year.

/1. The situation of industrial economic results./

The overall situation of the production of industry and transport is fine. However, some principal economic targets in the industry and transport fields dropped compared with the same period of last year. Compared with the corresponding period of 1985, the total output value of budgeted enterprises from January to September increased by 4.2 percent, profits dropped by 1.4 percent, profits delivered to the state dropped by 1.1 percent, revenue dropped by 1 percent, the costs for comparable products rose 5.2 percent, the turnover period for working funds increased by 10.5 days, the funds used to turn out products went up 28.4 percent, and the rate of profits dropped to the lowest level in recent years. The rate of quality for principal products was 69.3 percent, a drop of 6.7 percent from 1985. In the total output value of industry, the proportion of material consumption increased somewhat.

Nevertheless, the circumstances of certain fields improved somewhat compared with the same period of 1985. From January to September, the energy consumed in the industrial output value of every 100 million yuan dropped by 2.6 percent, consumption of 105 kinds of materials in major enterprises decreased steadily, per capita productivity rose 1.1 percent, and safety production developed fairly well. The output value and the profits and taxes earned and delivered to the state by 15 provinces and autonomous regions increased to varying degrees. The provinces and autonomous regions include Shanxi, Nei Monggol, Heilongjiang, Zhejiang, Shandong, Hubei, Hunan, Guangdong, and Qinghai. Efficiency of the departments of electricity, metallurgy, nonferrous metal, petroleum and chemicals, and pharmacy outstripped the departments of machinery, electronics, ship

building, and textiles. The output of marketable and sought-after goods increased by a big margin, while the slow selling and overstocked goods were curtailed. Efficiency increased every season and the funds used to turn out products decreased somewhat compared with last year.

/2. The reasons for the drop of some principal targets concerning industrial economic results./

1. The base figure of the targets of last year's industrial economic results was relatively high. In addition, there were abnormal factors. Last year's excessive economic growth brought forth excessive income and the balance of foreign exchange used to import raw materials and accessories earned high tax income and profits.

2. The removal of price restrictions on some farm and sideline produce and means of production, the increase of transport charges, the revaluation of Japanese yen and adjustment of the rate of renminbi, and an increase in customs duties raised the production costs of manufactured goods, particularly the costs of the processing, light, and textile industries of the large and medium size coastal cities.

3. The product mix did not correspond with demand. In recent years, particularly in 1985, the excessive demand stimulated the growth of economic which resulted in the blind development of processing industry. [sentence as received] With the normal growth of the economy, the problem has been revealed this year. As a result, some products are in short supply, while some others are unmarketable and overstocked.

4. The new economic policies adopted by the state have also affected the economic results of industry. For example, the measure adopted to cut down the price of chemical fertilizers stimulated agricultural production, but the income of chemical fertilizer plants decreased and their deficits increased because many localities failed to implement the policy of subsidizing these plants. Owing to the fresh recruitment of workers and the 7.5 yuan paid to each worker as a result of the wage reform carried out illegally by enterprises early this year, the cost of increased wages accounted for 13.3 percent of the increased amount in the total cost.

5. Subjectively, all this is due to poor management and the inferior quality of enterprises. For example, enterprises lacked a sense of market and quality as well as a sense of urgency in making the most of natural resources. In addition, there were difficulties in implementing the system of factory directors assuming sole responsibility early this year. The working funds were strictly controlled. The wage reforms illegally carried out by enterprises affected the implementation of the economic responsibility system. The quotas on importing raw materials and accessories were assigned later than previous years which hindered production.

/3. The measures for attaining better industrial economic results./

The growth of industrial production in the first 9 months of this year reached 6.4 percent, which is normal and appropriate. From now on, it is necessary to further implement the policy focused on attaining better economic results.

1. It is necessary to seek efficiency from improving quality and to seek an increase in production from conserving energy and raw materials. To improve product quality, besides strengthening economic means, it is necessary to use administrative and legal means. Focused on improving quality, cutting down consumption, and increasing efficiency, special attention must be devoted to upgrading enterprises so as to further improve the quality of enterprises and the management work of various fields.

2. Product mix should be readjusted according to market needs. It is particularly necessary to take note of market developments, analyze all kinds of information, do a good job of forecasting, vigorously increase the production of marketable goods, and resolutely stop the production of unmarketable commodities.

3. It is necessary to invigorate the commercial circulation and open all avenues for marketing. In light of the multi-level characteristics of consumption in China, it is particularly necessary to unclog the rural circulation channel, promote the sales of goods in stock, link production with marketing, and reduce the amount of working funds used for turning out products.

4. Adhere to reform and invigorate enterprises. The State Council regulations on extending the decisionmaking power of enterprises should be implemented in earnest and the power delegated to enterprises should not be intercepted. It is necessary to further perfect the mechanism within enterprises, conscientiously implement the three regulations on enterprise leadership system, spread the system of factory director assuming sole responsibility, and clearly understand the responsibility of factory directors for enterprises. It is necessary to perfect the distribution system within enterprises, improve the external conditions for enterprise development, check the practices of indiscriminately exacting charges from enterprises, and enhance the adaptability of enterprises to macrocontrol and price reform.

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CSO: 4006/194

NATIONAL AFFAIRS, POLICY

LIAOWANG ARTICLE URGES NEED FOR BANKRUPTCY LAW

HK050801 Beijing LIAOWANG in Chinese No 47, 24 Nov 86 p 34

[Article by Cao Haiquan (2580 3189 3123): "Protecting or Harming the Rights and Interests of the People--Also Discussing the Enactment of the Bankruptcy Law Governing Enterprises"]

[Text] Does the enactment of the bankruptcy law governing enterprises protect or harm the rights and interests of the people? After my investigations and studies conducted in the former Shenyang Explosion-proof Apparatus Plant (hereinafter referred to as the explosion-proof plant for short), I am deeply convinced that the law "protects" the rights and interests of the people.

The total assets of the plant were not more than 220,000 yuan. Owing to poor management, it suffered losses for about 10 years in succession. The debts which it owed to 120 creditors (including banks, other enterprises, and individuals), mounted up to as high as 420,000 yuan. The plant was unable to pay the debts. The absence of the binding power of law emboldened some people in the plant, and they were not afraid of running into debt. They tried in every possible way to obtain loans. They spent money as they pleased, or even issued bonuses and material objects arbitrarily by misappropriating other people's money. Many creditors were thus harmed. For example, an enterprise in the Dongling district of Shenyang City was a creditor. Its production funds were exhausted because it was not able to recall debts on schedule from the explosion-proof plant. As a result, it could not continue its operations. Should our legal system protect the "right" of such a debtor not to pay back debts, or protect the rights of those 120 creditors so that they can recall their debts? It is obvious that the bankruptcy law will do the latter.

It is estimated that among industrial enterprises in our country, only 0.9 percent of them are presently in danger of bankruptcy. However, there are numerous enterprises which are creditors of those enterprises on the verge of bankruptcy. Their rights and interests should not be harmed. Furthermore, the enforcement of the bankruptcy law will reduce the number of bankrupt enterprises. Judging things from these two aspects, we know that the law can effectively protect the rights and interests of the broad masses of people.

Some people think that it is a horrible thing even if only a handful of enterprises are declared bankrupt. To them, the state should subsidize these enterprises to ensure that they will never go bankrupt.

The matter which should be considered is: Whose money does the state use to subsidize these enterprises? Is this not the money of the ordinary people of the whole country? The broad masses of people turn over to the state profits and tax which they earn through hard work. The money should be used for national construction. However, over a long period of time in the past, a fairly large amount of the money was used as "blood transfusions" for those enterprises which suffered from losses in management, or were on the verge of bankruptcy. I am afraid that it is not rational to protect those who are backward in order that they can prolong their lives indefinitely. It is simply intolerable to use the money of the ordinary people to subsidize those enterprises in order to cover up the mistakes of issuing confused administrative orders.

Everyone says that issuing confused orders is bad. Why could this practice not be stopped over the past several decades? True, there are many reasons to which this can be attributed. One important reason is that we lack a system governing the bankruptcy of enterprises. Those who give competent leadership may win honor. However, those who provide incorrect leadership need not bear responsibility for the consequences arising therefrom. It is perfectly justifiable for them to make use of the "subsidies" provided by the people to plug the gaps. They may continue to retain their posts as leaders without difficulty. As for those who are led by them, owing to the fact that there is no need for them to worry about bankruptcy, and that they lack the economic motive force for resolutely resisting confused orders, even if their enterprises collapse, they may still become officials, or be promoted in other places because of their merit in "obeying the leadership." If a system governing bankruptcy is established, enterprises go bankrupt, and workers and staff members are unemployed and live on relief, it will not be so easy for them to conceal faults, and gloss over wrongs. The "director of a bankrupt factory" will find the going tougher and tougher. People will do everything possible to defend the decisionmaking power of their enterprises. They are bound to make efforts from the bottom up to minimize irrational administrative interference by state organs at all levels. All this will be more effective than the practice of issuing confused orders from above.

Some comrades maintain that efforts must be made to ensure that the incomes of workers and staff members in bankrupt enterprises will not be lower than their incomes during normal times. They say that only such a practice can be regarded as fair, and protect the rights and interests of the people. However, after thinking about this matter carefully, I believe that there are several points in this idea which have not been carefully thought out:

1. To ensure that the unemployed workers and staff members in bankrupt enterprises can get their full "wages" and "bonuses," the unemployment insurance premiums levied on enterprises must be increased by a big margin.

Only thus can a larger amount of relief funds be paid out. This will increase the burden of those enterprises which have not gone bankrupt. I am afraid that 99 percent of our enterprises, workers, and staff members will not be that generous.

2. I doubt the enthusiasm of those unemployed workers who can maintain their "normal income level" for a long time for striving to get new jobs.

3. If the individual incomes of workers in bankrupt enterprises are not reduced, it is unavoidable that many people will applaud and welcome bankruptcy. It is unnecessary for them to show concern for the fate of their enterprises.

It is obvious that the practice of eating from the same big pot in the economic system is a social opium. It will damage people's competitive power and make them addicted to it, or "sentimentally" attached to it. Our economic reform must not yield to this sentiment. It should observe the objective law of commodity economy. When one owes a debt, one must repay it. The best will succeed, whereas the worst must be eliminated. This is one of the indispensable conditions for the development of commodity economy. Only by persisting in resolutely eliminating a small number of enterprises can we prevent widespread and protracted backwardness. In a certain sense, the enactment of the bankruptcy law is also a method characterized by small input and great output. Only a very small effort is needed to directly handle matters connected with bankruptcy. But its stimulating role will spread over all enterprises, and affect the superstructure. For the sake of the interests of the broad masses of people, why should we not firmly grasp the work of studying and enacting the bankruptcy law?

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CSO: 4006/211

NATIONAL AFFAIRS, POLICY

JOURNAL WARNS OF REVERSE REGULATION BY ECONOMIC LEVERS

HK110549 Beijing WENZHAI BAO in Chinese No 371, 7 Dec 86 p 6

[Article "Excerpted" by Xiao Yuan (2556 6678) from Issue No 5 of ZHONGGUO JINGJI WENTI (Chinese Economic Problems): "Guard Against Reverse Regulation by Economic Levers"]

[Text] According to an article by Zhu Hui [2612 1979], economic development can be stimulated by the correct application of economic levers, but on the other hand, economic levers can be regarded as a kind of objective inevitability and used to punish people. This is shown as reverse regulation by economic levers, meaning that the roles of these levers cancel each other out, or else that the use of a certain lever produces results totally opposite from people's subjective aims.

The article says that as an economic phenomenon that exists objectively, economic levers are the expression of the role of economic laws and will not shift according to people's will. Therefore, I hold that the cause of reverse regulation by economic levers must first be sought from the economic laws that govern them. Precisely because there is a reverse relationship aspect between various economic laws, there is also bound to be mutual cancelling out of the economic levers that are governed by those laws, and the result may even be opposite to the desired one.

To guard against reverse regulation by economic levers, it is necessary to pay attention to the following issues: 1) It is essential to base the use of economic levers on objective economic laws, and totally shun voluntarism. 2) Pay attention to organic coordination between the different economic levers. 3) Actively create conditions for using the economic levers.

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CSO: 4006/194

NATIONAL AFFAIRS, POLICY

BRIEFS

RETAIL SALES INCREASE--Beijing, 15 Dec (XINHUA)--Retail sales in China's rural areas this year are expected to total more than 200 billion yuan (54 billion U.S. dollars), an official from the Ministry of Commerce told XINHUA today. This is an 11 percent increase over last year, the official said. According to a ministry study, from January to October, the largest sales increase in durable goods was for refrigerators, up 44.2 percent from the same period last year. Sales of television sets rose 3.7 percent, and washing machines, 19.2 percent. The study indicates that the level of retail sales depends on economic development. In economically-developed areas, sales of durable and high-quality goods, such as electrical appliances, wool blankets, and silk products, are increasing. Expansion of rural education in recent years has contributed to a 40.1 percent increase in sales of writing materials, including paper, pencils, and pens. The ministry estimated that the average rural per capita income will increase by 10 percent this year. [Text] [Beijing XINHUA in English 0740 GMT 15 Dec 86 OW] /12624

CSO: 4020/68

PROVINCIAL AFFAIRS

JIANGSU: SUZHOU FOURTH-RANKING 'ECONOMIC GIANT'

OW131258 Beijing XINHUA in English 1233 GMT 13 Dec 86

[Text] Beijing, 13 Dec (XINHUA)--Suzhou, in east China's Jiangsu Province, has achieved new progress since it became the country's fourth-ranking economic giant in terms of industrial and agricultural output value last year, ECONOMIC DAILY reported today.

The paper said that the city is expected to increase its output value from 21.5 billion yuan in 1985 to 24.5 billion yuan this year--up by 14 percent.

Suzhou used to be known as a "paradise on the earth" for its many picturesque gardens left by ancient dynasties. In addition to tourism, it has speeded up economic construction over the past few years and contributed a lot to the prosperity of Jiangsu, a comparatively well-developed province whose industrial output value surpassed the other provinces for the first time last year.

"The city pays great attention to using advanced science and technology to promote production," the paper said. About 35 percent of its increased output was due to technical renovation, it said.

During the past five years, the city has invested more than 835 million yuan in some 1,700 retooling projects. Rural enterprises invested almost the same amount of funds in technical renovation.

As a result, the city more than doubled its industrial output value of 1980, the report said.

Scientific research institutes also promoted more than 160 new scientific techniques in the suburbs, which helped boost local agriculture.

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CSO: 4020/71

FOREIGN TRADE, INVESTMENT

TEXTILE EXPECTED SOON TO BE BIGGEST EXPORT ITEM

OW281040 Beijing XINHUA in English 0717 GMT 28 Nov 86

[Text] Beijing, 28 Nov (XINHUA)--Textiles are predicted to take over oil's position as China's biggest export item during the next 5 years.

"The foreign exchange earned through exported textiles will increase 80 percent by 1990 over that of last year," an official of the Textile Ministry announced here today.

For this goal, the state will adopt several "preferential policies" to spark the industry in terms of loans, taxes and investment. The new measures should help shift the industry's main exports from primary to finished products, he said.

As a first step, the State Council has decided to put the China Garment Industry General Corporation directly under the ministry.

Previously, the corporation answered to the Ministry of Light Industry, and that structure separated cloth and garment production. As a result, only 30 percent of the total profits earned from textile exports came from garments, far behind other foreign textile exporters.

The Textile Ministry has urged 12 coastal cities, whose export volume amounts to more than half the national total, to adjust the ratio. "They have been told that 50 percent of their textiles made for export should be garments," the official said, adding that they could hit the goal by improving management and shortening delivery time.

He also disclosed, three to four export-oriented production groups are being set up.

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CSO: 4020/73

FOREIGN TRADE, INVESTMENT

NATION'S ROLE IN INTERNATIONAL CONTRACT MARKET

HK111239 Beijing GUOJI SHANGBAO in Chinese 27 Nov 86 p 3

[Article by Zhang Ruisen (1728 3843 2773): "Fierce Competition in the International Contractors Market, China's Contracting Business Develops Steadily"]

[Text] Because of the outbreak of wars and natural disasters in addition to the development of recession in the world's economy and the drop in oil price in recent years, the international contractors market has been on the decline. The volume of projects contracted out decreased, labor demand dropped, and competition was very keen in the market. Judging from the viewpoint of development, however, there is still potential to be tapped in the international contractors market, and we can achieve something in that market.

The Middle East is a market of great potential. It is very rich in oil, and its reserves account for 60 percent of the gross international oil reserves. The oil producing countries have an enormous amount of overseas investment. Having a sparse population on a vast territory, the Middle East is weak in technological strength and its national economy is developing in the direction of becoming an advanced technological one. In the long run, we can pin high hopes on continuing to develop the Middle East market in the wake of oil prices bouncing back and a stable political situation. As Africa is rich in oil, minerals, and raw materials reserves, there is great potential in developing the production of agriculture, animal husbandry, and fishery; and it is a region yet to be developed. Africa is an internationally important area that receives an enormous amount of international aid each year for capital construction. Because it lacks technological strength, however, it must seek help elsewhere. The Asia-Pacific, European and American markets are in the industrially developed regions and their economies are rather developed. Having a rather high level of technological strength, they pursue strict requirements in project quality. In the wake of development of these countries' high technology, as well as the increasingly serious population problem, it will be impossible to meet the needs of social development just by depending on one's own efforts in developing the economic construction.

Over the years, when contracting projects with foreigners, our companies have followed the business principle of "fulfilling the contract, guaranteeing the quality, pursuing reasonable profits and stressing obligations;" and have scored gratifying achievements within a short time. Starting from 1978 when China founded the first group of such companies, China now has 68 companies across the country engaging in the business of contracting projects with foreigners and in labor cooperation. In 1986, China further developed the business of foreign contract projects. By the end of the 3d Quarter, the companies signed labor contracts worth more than \$900 million with foreigners which is about the same level as at the same period last year.

The development features of contracts made in 1986 are:

1. The number of projects funded by credit and loans was decreased by that of projects funds by cash remittance was on the increase (accounting for 90 percent), meaning that there is relatively little risk and the economic results get better.
2. The form of operation became diversified, more projects paid expenses by payment in kind, and the range of labor services was more comprehensive.
3. Each company constantly improved its capability of handling foreign business and management techniques, and made new breakthroughs in bidding individually.
4. The market development was gradually shifted from the Middle East to the Asia-Pacific Area, Europe and America.

China began its contracting business in the Middle East market, which has the largest number of projects and staff, as well as the largest value of contracts. Over the years, China also rather rapidly developed the contracting business in Africa and signed 466 contracts, involving a total amount of \$1.2 billion with 31 countries. Since the beginning of this year, China has signed 26 contracts, worth over \$300 million, with some African countries. China was also rather active in the contractors market in Asia and the Pacific and Latin America. It signed 88 contracts worth more than \$300 million with Bangladesh, Nepal, Thailand, Singapore, Mexico, Columbia, as well as the Hong Kong and Macao regions. The number of new contracts signed by China with Africa and the Asia-Pacific regions accounted for 90 percent of the total number of contracts China signed this year. There is also a great potential in developing other contractors markets besides the Middle East.

China's contracting business is shifting its focus from labor cooperation onto the practice of individually undertaking projects. Before 1983, China mainly stressed the provision of labor cooperation when contracting projects. By 1985, the number of contracts signed in the form of undertaking projects was increased to beyond 90 percent. The number of contracts signed in this form was still on the increase in 1986. Over the

years, China has constantly increased the number of contracts for large projects. Between 1979 and 1982, the largest amount of investment involved in any project undertaken by China was \$50 million. After 1984, China constantly increased the number of contracts on projects worth over \$100 million. In Iraq, China undertook the Kaifei'er Xianafeiya irrigation project contract, which was worth over \$170 million; and the Xindiya dam contract, which was worth \$223 million. The fact that China can now undertake large projects shows that its bidding techniques rank among international competitors. Because of high speed and good quality, projects undertaken by China have won high appraisal from foreign contractors. A large number of projects have been completed and have been put into operation. Following trial runs and examination by the owners, most of the projects were proved to meeting the required standards.

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CSO: 4006/195

FOREIGN TRADE, INVESTMENT

RULES TO BE ISSUED ON TECHNOLOGY EXPORTS

HK130240 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
13 Dec 86 p 2

[Text] China is to issue a series of rules before next October aimed at boosting exports of technology, according to Zhao Chunhua, chief of the technology import and export department of the Ministry of Foreign Economic Relations and Trade (MOFERT).

Mr Zhao said the new rules would define the implementation of the decision of the State Council in October that all technology exports be administered jointly between MOFERT and the State Commission of Science.

He was speaking yesterday at a seminar called "Technology Transfer--a New Trading Opportunity With China", organized by the Hong Kong Management Association and the Economic Information Agency.

Mr Zhao said the implementation rules would clarify the types of technology that could be exported and would define the powers of the central government and regional governments when granting permission to export.

A meeting between relevant departments and offices would be held in Beijing to discuss the implementation rules after they are issued, he said.

Though China had made few efforts in the past to increase exports of technology, special attention would be paid to promoting such exports by supplying overseas markets with information on what China has to offer once the rules come into force, he said.

Since 1979, China has exported about U.S.\$20 million worth of items in about 100 categories of China-developed technologies, with over half of those sales having been made this year.

These technologies include Chinese-character coding, blast furnace coal dusters, a vitamin C dual-step fermentation process, and rubber production techniques.

Most sales were made to Japan, the United States, Switzerland, Italy, Sweden, and Nepal.

Mr Zhao said industrialized nations accounted for most sales because publicity of Chinese technology had been insufficient. He said China would soon step up its efforts to increase sales of its specialities in markets in developing countries.

He said the results of the first exhibition of Chinese technology at the recent Guangzhou Trade Fair--at which only six contacts and 30 letters of intent were concluded for the more than 300 items exhibited--pointed to the need for better marketing.

Otoo Poon, a director of Analogue Technical Agencies Ltd, said the major hindrance to China's technology exports was the differences in standards and specifications between China and overseas markets.

Mr Zhao said China had reduced imports of technology from \$3 billion last year to an expected 2 billion this year, due mainly to tight controls on imports of production and assembly machinery.

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CSO: 4020/69

FOREIGN TRADE, INVESTMENT

USE OF FOREIGN FUNDS SHOWS GOOD RESULTS

OW151106 Beijing XINHUA in English 1035 GMT 15 Dec 86

[Text] Beijing, 15 Dec (XINHUA)--China has invested a total of U.S.\$344 million of foreign funds for land reclamation projects, according to the recent statistics.

An official from China's Land Reclamation Bureau said today, "to date, China has implemented more than 50 projects involving food, beans, rubber, oranges, sugarcane, cotton, milch cow, canned food, fodder, pharmaceuticals, agricultural scientific research, education and technological cooperation."

Using loans provided by the World Bank, Heilongjiang Province has reclaimed 200,000 hectares of wasteland and Guangdong Province has planted and regenerated 40,000 hectares of rubber plantations. The annual average output of rubber from these new plantations will be 43,600 tons, or 30 percent of Guangdong's present rubber output.

Heilongjiang and Guangdong provinces have used advanced technology and equipment in land reclamation areas, rubber plantations and the construction of the Honghe farm. The technological and management level of the reclamation areas has thus been improved.

Enterprises in reclamation areas have produced a number of famous brand high-quality products and have increased foreign currency earnings. The quality of most products has reached domestic advanced levels.

Some products have taken first place awards in international competitions, such as Imperial brand wine produced by the Tianjin winery run jointly by China and France, medicines manufactured by the Guangzhou Baiyunshan pharmaceutical factory and the combination radio and tape recorders assembled by the Guangzhou Baiyun radio plant. These products have enjoyed great prestige abroad and their supply falls short of the demand.

The funds and technology for reclamation projects are provided by the World Bank, the United Nations Development Program, the Food and Agricultural

Organization of the United Nations, the International Fund for Agricultural Development, the United Nations High Commission for Refugees, the European Economic Community and Italy, Sweden, the Netherlands, Denmark, France, Canada, Australia and Japan.

The utilization of foreign funds and the introduction of technology has been diversified, including joint ventures, compensation, loans and rent payments.

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CSO: 4020/73

FOREIGN TRADE, INVESTMENT

BEIJING ISSUES NEW RULE ON FOREIGN FIRMS' EMPLOYEES

OW081752 Beijing XINHUA in English 1447 GMT 8 Dec 86

[Text] Beijing, December 8 (XINHUA)--The Beijing Municipal Government has issued temporary regulations to facilitate foreign-invested enterprises to recruit workers and technical personnel, according to today's BEIJING DAILY.

"The aim of the regulations is to open the channels for the enterprises to hire and fire employees and improve the supervision and service of the latter," the paper said.

The main points of the regulations are as follows:

--The enterprises are required to hand in their plans for employment in advance to the city's personnel and labor department so that the latter can provide proper service.

--The enterprises are allowed to hire local people through various channels: waiting for allocation by the government, hiring people themselves or recruiting employees through hiring agencies. They are also allowed to hire people in other cities, subject to approval by the authorities of both cities.

--In principle, those who are hired by the enterprises should be allowed to leave their original work places if their work permits. In cases of disputes, the city personnel exchange centers will arbitrate.

--Those who also have to seek employment through such personnel exchange centers include people whose units are unwilling to release them; college graduates who have been unemployed for a minimum of five years because they are unwilling to accept state-assigned jobs; those who leave their work units without permission and those working in remote suburbs and other cities.

--All employees should work under contract.

--Those who have been fired or whose contract terms expire can also seek employment through the centers.

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CSO: 4020/69

FOREIGN TRADE, INVESTMENT

FOREIGN ENTERPRISES ELIGIBLE FOR RENMINBI LOANS

OW120800 Beijing XINHUA in English 0747 GMT 12 Dec 86

[Text] Beijing, December 12 (XINHUA)--Enterprises with foreign investment in China are eligible to apply for renminbi loans mortgaged by foreign exchange of their own or borrowed from abroad, according to a Chinese Government document.

Provisional regulations to this effect issued by the People's Bank of China go into force today.

At present, the foreign currencies to be used by Sino-foreign joint ventures, cooperative enterprises and enterprises with sole foreign capital as mortgages are limited to U.S. dollar, Japanese yen, HK dollar, Deutsche mark and pound sterling.

The mortgaged RMB loans, which can be used as both working capital and investment in fixed assets, will be divided into the short-term as well as medium- and long-term loans. The maturities of the former are three months, six months and on year, and of the latter from one year up to five years, the regulations say.

Applicants for the loans shall declare to the State Administration of exchange control or its branches the sources and amounts of their foreign exchange for examination. After the report is verified, they apply with a designated bank authorized by the People's Bank of China.

The mortgaged loans shall be extended by the Bank of China and other financial institutions which are authorized by the People's Bank of China, except in the special economic zones.

The borrower shall not repay the mortgaged loans before they are due. Upon maturity, the borrower shall repay the original RMB amount in exchange for the return of the mortgaged amount of foreign exchange. The transaction shall not be subject to changes in exchange rates. The mortgaged foreign exchange shall be turned over to the People's Bank of China if the RMB loans fail to be repaid upon maturity in case where the mortgaged foreign exchange is borrowed from abroad, the borrower shall continue to be liable to the creditor for the repayment of principal and interest.

The amount of RMB loans extended by the authorized banks to the mortgagers shall not exceed an RMB amount equivalent to the foreign currency amount at the exchange rate (buying rate) as announced by the State Administration for exchange control on the day the loan is made.

Neither the RMB loans nor the foreign currency submitted by the borrowers as mortgage, shall bear interest, the regulations say.

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CSO: 4020/69

FOREIGN TRADE, INVESTMENT

HEILONGJIANG ENACTS MEASURES TO ENCOURAGE EXPORTS

Beijing GUOJI SHANGBAO in Chinese 10 Nov 86 p 2

[Article by Hu Haiqing [5170 3189 3237]: "Heilongjiang Encourages Exports to Earn Foreign Exchange"]

[Text] To encourage the production of export commodities and increase exports and foreign exchange earnings, Heilongjiang Province recently drew up eight regulations:

1. Export commodities will be put under command planning management. Enterprises producing export commodities will be issued three mandatory targets as part of the command plan: export and foreign exchange earnings target (or export and goods supply target,) contract fulfillment rate, and the certification rate of export commodities. They are the major criteria by which enterprises will be assessed.
2. Ensure materials, transport, and funds for the production of export commodities.
3. Give priority to the technical transformation projects of export-oriented enterprises to ensure that they receive funds and materials. Preference should be given to the import of foreign capital, technology, and equipment.
4. Give tax preference to export-oriented enterprises to encourage the production of export commodities.
5. Adopt the principle, "the more foreign exchange you earn, the more you can spend." In determining the percentage of foreign exchange a local export enterprise or one making electrical machinery is allowed to retain, regulations in provincial and national documents must be adhered to. That apart, a special foreign exchange account is to be set up for such funds and no department will be allowed to detain, transfer, or appropriate such funds.
6. The procurement prices of export commodities. In the case of products under price control, they will be procured at prices approved by the pricing departments at the appropriate level. In the case of products removed from price control, prices will be determined by the two parties from industry and trade through consultation. A serious effort should be made to realize the

principle, "A good product should fetch a good price. Products of a similar quality should be similarly priced."

7. An export incentive system should be applied to production enterprises. Export bonuses, which should be included in export costs, are to be turned over in full by foreign trade enterprises to production enterprises or goods supplying units. The bonuses are to be retained in full by the latter as after-tax profits.

8. Strengthen the management of the sources of export commodities.

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CSO: 4006/163

FOREIGN TRADE, INVESTMENT

GUOJI SHANGBAO CALLS FOR MORE TECHNOLOGY EXPORTS

HK160311 Beijing GUOJI SHANGBAO in Chinese 4 Dec 86 p 1

[Commentary: "Stimulate Export of Equipment and Labor Services by Exporting Technology"]

[Text] In October this year, the China National Chemical Construction Corporation officially signed a contract with Nepal's Kuoerkali [1647 0334 0807 6849] Rubber Industry Company Limited for exporting to the latter technology and a complete set of equipment with an annual production capacity of 88,000 sets of automobile tires. Although the cost of engineering design, technical secrets, and information accounts for only 14.96 percent of the total value of the contract, all this has helped us export a whole set of equipment. This export project has been China's biggest so far.

Not long ago, commenting on the problem of exporting technology, a leading comrade of the State Council pointed out that China should stimulate its exports products and labor services by exporting technology and should combine all this with the overseas construction work it undertakes.

In recent years, various departments and localities have begun to pay close attention to exporting technology by enthusiastically trying to look for exportable technology and to push its sales to foreign countries. However, much of the technology exported has been software. Little has been done to export products and equipment through the export of technology. The country's conditions permit the export of an appropriate amount of software. However, this yields only very limited economic results. Thus, we should stimulate exports of equipment, products and labor services by exporting technology. This is a common practice in world trade.

Although China is a developing country it has in the 30 years or so since its founding, established an integrated industrial and agricultural production system. Now, it possesses some rather sophisticated technology and the proper equipment. Nepal has decided to import the technology and equipment for the production of tires from China not because China has more advanced technology and equipment than other countries, but because China's technology and equipment are suitable for Nepal, given its present technological and production levels. Many other Asian and Pacific countries are also interested in China's technology and equipment. Recently some of

these countries have expressed through the Asia-Pacific Technology Transfer Center their hope for the import of more than 100 things from China. These things include agricultural, light industrial, textile, chemical, mechanical, and food processing technology and equipment. Both technology and equipment are demanded in most cases. This shows that there will be a large market for us if we can stimulate the export of equipments and products by exporting technology. We should try to earn more foreign exchange for the country by developing this business.

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CSO: 4006/19

FOREIGN TRADE, INVESTMENT

UPSURGE IN TECHNOLOGY IMPORTS, ENTERPRISE TRANSFORMATION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Dec 86 p 3

[Article by Jiang Shaogao [3068 4801 7559]: "3,000 Pieces of Technology Imported in 3 Years"]

[Text] Of the "3,000 pieces" of advanced technology imported in the last 3 years of the Sixth 5-Year Plan, about 60 percent will be put into production by the end of this year, to be joined by the remainder in the next 2 years. These projects will be a vital force in the development of the national economy and play a crucial role in the Seventh 5-Year Plan.

For 30 years after the People's Republic was founded, the nation's major mode of technology import was to purchase complete sets of large-scale equipment, build new plants and go in for extensive development. In 1982, the State Council demanded that we import technology and transform existing enterprises without delay, put forward a plan calling for the import of 3,000 pieces of advanced technology in the last 3 years of the Sixth 5-Year Plan to transform existing enterprises, and asked the Economic Planning Council to see that each project was carried out. As of late 1985, contracts were actually signed with foreigners on 3,900 projects. Propelled by the "3,000 projects," China experienced its first upsurge in technology import and technical transformation. Over the past few years, all industries have integrated technical transformation with the import of essential technology and equipment. Characteristically, these projects require limited outlays, have a short construction period, pay off quickly, and yield good economic results.

The "3,000 projects" have enabled some Chinese industries and products to leap-frog technically, significantly narrowing the gap with advanced nations. Ten percent of the products of the machinery industry today reach international standards of the late 1970's and early 1980's. In electronics, the manufacturing of color TV sets, video cassette recorders, recorders, and copiers has grown and matured. More than 30 percent of electronic products are now on a par with the best in the world in the late 1970's and early 1980's, up from 15 percent in 1982. The technical levels of such industries as metallurgy and those that make food, knitwear, daily consumer goods, and power plant equipment have also changed appreciably.

Technology import and the technical transformation of enterprises have improved China's product competitiveness in the international marketplace and promoted exports. After spending \$3.26 million on the import of five silk printing production lines, a silk company boosted exports by 10 million meters of real printed silk, earning an additional \$50 million in foreign exchange.

FOREIGN TRADE, INVESTMENT

BETTER INSPECTION OF IMPORTED COMMODITIES URGED

OW071218 Beijing XINHUA in English 1037 GMT 7 Dec 86

[Text] Beijing, December 7 (XINHUA)--Minister of Foreign Economic Relations and Trade Zheng Toubin today called on commodities inspectors to take effective measures and strengthen the quality inspection of commodities imported.

At a national meeting on supervision and control of import commodities, which opened here today, Zheng said that all import commodities should be inspected within the time fixed and that "uninspected goods are not allowed to be installed or put into production, or sold or used, so as to safeguard the rights and interests of the state, endusers, consumers and the parties concerned.

China's imports came to more than 34,03 billion U.S. dollars in 1985, a 72.2 percent increase over the 1981 figure. The import commodities were good on the whole but some had defects either in quality and quantity.

The statistics by the inspection departments show, inspectors had discovered that more than 41,700 batches of imported goods during the Sixth Five-Year Plan period (1981-85) or about 10.3 percent of the batches of import goods they had inspected during the period, were not qualified to the contracted quality, quantity and technical norms.

Zheng urged the inspection departments to improve their provisions and regulations, supervise and urge importers and users to examine the goods they import.

Moreover, they should be equipped with sophisticated instruments and ask scientific research institutions, universities and other social forces to help with their work.

The meeting was jointly organized by the State Economic Commission, the Ministry of Foreign Economic Relations and Trade, the Administration of Customs and the State Administration of Import and Export Inspection. The participants will exchange their experience on inspection and discuss how to improve the work.

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CS0: 4020/69

FOREIGN TRADE, INVESTMENT

BRIEFS

TECHNOLOGY IMPORTS TO REVAMP BUSINESSES--Beijing, 4 Dec (XINHUA)--China will have put 60 percent of the 3,000 items of technology imported during the 1983-85 period into operation by the end of this year, the overseas edition of the PEOPLE'S DAILY reported today. The technology import program is designed to "help retool existing businesses," a priority in China's economic development plan, the paper said. The previous policy was based on importing complete production rather than components for retooling. The program has improved the technological standards of Chinese-made products and enhanced their competitiveness on the international market, the paper said. For example, 30 percent of domestically-produced electronics products now meet international standards of the late 70s or the early 80s, compared with 15 percent in 1982. With the introduction of five silk printing production lines, the China National Silk Company now can export an additional 10 million meters of silk a year, worth U.S.\$50 million. [Text] [Beijing XINHUA in English 0638 GMT 4 Dec 86] /9604

SINO-JAPANESE TRADE GROUP--The China Cooperation Group for Economic Trade with Japan was inaugurated in Beijing yesterday to promote trade between China and Japan. The group is comprised of responsible officials of the State Planning Commission, the State Economic Commission, concerned departments of the State Council, and import-export corporations for respective areas. Jia Shi, chairman of the China Council for Promotion of International Trade, and Shen Jueren, assistant minister of economic relations and trade, were elected chief adviser and chairman of the new group, respectively. The group will study ways and means to further develop Sino-Japanese trade, increase Chinese exports to Japan and to reduce China's trade deficits, in coordination with the existing Group for Promotion of Chinese Exports to Japan, and with the two groups that were formed jointly with Japan--the Japan-China Council on Trade Expansion and the Research Council on Development and Imports of Chinese Commodities. [Text] [Beijing in Japanese to Japan 0930 GMT 7 Nov 86] /9604

RADIO FACTORY EXPORT RECORD--Dalian, 16 Nov (XINHUA)--The Dalian radio factory in northeast China has since 1983 exported two million quality radio sets to 37 countries and regions, ranking the first among China's radio set producers. The factory has earned foreign exchange worth U.S.\$ million by exporting radio sets to countries including Japan, the

United States and Canada. The factory imported radio set technology, production lines and some components from Japan in 1982 and exported radio sets with 90 percent home-made components the next year. All of the factory's export radio sets have been up to standard thanks to its strict quality control. [Text] [Beijing XINHUA in English 1247 GMT 16 Nov 86] /9604

NINGXIA COAL EXPORTS--Ijing, 26 Oct (XINHUA)--Northwest China's Ningxia Hui Autonomous Region will export 320,000 tons of locally-produced quality coal, called "taixi" coal, this year--up 60 percent from last year. The coal, mined in the city of Shizuishan, sells well in Western Europe as it has a low content of ash, sulphur and phosphorus, and a high calorific content. It is used either as heating material or as raw materials for making chemical fertilizers and activated carbon. [Excerpts] [Beijing XINHUA in English 0702 GMT 26 Oct 86] /9604

SHANGHAI RURAL ECONOMY PROMOTION--Shanghai, 23 Sep (XINHUA)--Shanghai has more than 470 rural factories that have established ties with city enterprises in recent years, according to today's ECONOMIC DAILY. The cooperative enterprises produce textiles, light industrial goods, electrical machinery, instruments and meters, chemicals, and metals. Their output value accounts for 20 percent of the total in the city's 10 suburban counties. In the Xiasha Township of Nanhui County, cooperative enterprises accounted for one third of total industry. The industrial cooperative enterprises produce export products worth 460 million yuan (U.S.\$24 million) a year. [Text] [Beijing XINHUA in English 1550 GMT 23 Sep 86] /9604

SHANGHAI-EAST EUROPEAN TRADE--Shanghai, December 12 (XINHUA)--The volume of trade between Shanghai and East European countries between January and September this year was up 61 percent over the same period of last year, according to the Shanghai-based JIEFANG DAILY. According to the local newspaper, Shanghai has exchanged exhibitions, economic and trade delegations, and technology with these countries to promote mutual understanding and trade. The city made a deal with Yugoslavia between April and May this year when a Yugoslav industrial and technical exhibition opened in Shanghai. According to a barter trade contract involving more than two million U.S. dollars, Yugoslavia will import cotton and other goods from Shanghai and export embossed woolen cloth to Shanghai. Shanghai's light industrial goods, textiles and handicrafts went on display in the Soviet Union early this year, and silk garments worth 8.3 million U.S. dollars were ordered. Shanghai began to undertake local barter trade with Eastern European countries in 1984. [Text] [Beijing XINHUA in English 0704 GMT 12 Dec 86 OW] /6662

FOREIGN CURRENCY EXCHANGE CENTER--Guangzhou, December 13 (XINHUA)--A center where foreign currency and renminbi can be exchanged was set up here today for the convenience of the local foreign-invested enterprises. The center was set up in the light of the city's temporary regulations on foreign currency exchange among foreign invested enterprises, said a spokesman of the center. Any foreign-invested enterprise which has opened an account in foreign currency with the Bank of China, with the approval of the Guangzhou branch of the State Administration of Exchange Control (AEC) can exchange funds at the center with a certificate granted by the AEC's Guangzhou branch, according to the spokesman. The currency for exchange should be within the normal income of the enterprise, he said, adding that both parties should negotiate the price of exchange with the help and under the supervision of the center's officials. [Text] [Beijing XINHUA in English 1219 GMT 13 Dec 86 OW] /6662

ECONOMIC ZONES

SHENZHEN INDUSTRIAL DEVELOPMENT IMPROVES

HK100639 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1456 GMT 9 Dec 86

[Report by reporter Wu Yixun (0124 0001 3169): "After Vigorous Efforts, Shenzhen's Industry Has Taken a Solid Step Forward"]

[Text] Shenzhen, 9 Dec (ZHONGGUO XINWEN SHE) -- Various indications show that Shenzhen's industry after vigorous efforts has this year taken a firm step forward.

According to statistics, in the first 11 months of this year, Shenzhen City realized 3.1 billion yuan in industrial output value, an amount exceeding the annual plan, or an increase of 16.1 percent over the figure of 2.67 billion yuan for the whole of last year.

Shenzhen's industrial production this year is marked by the following several features:

-- The overseas market for industrial products has been greatly strengthened. The grand total of output value of export products from January to October reached 1.193 billion yuan, an increase of 68.4 percent over the corresponding period of last year. According to estimates by relevant departments, exports of Shenzhen's industrial products this year can reach \$480 million.

-- Within the industry, the situation marked by too much emphasis on electronics and the unbalanced development of light industry, textiles, foodstuffs, machinery and other trades has changed. Since the beginning of this year, the percentage of scales abroad in the textile trade has reached 91 percent, with an increase of 7.1 percent in output value, jumping from fifth to second place among various trades. Despite the continuous growth of absolute output value in the electronic industry, the percentage accounted for by it has dropped from 51.8 percent last year to 45 percent.

In addition, various trades have enthusiastically set up trade associations strengthening the establishment of extensive ties and mutual cooperation within themselves.

-- The mix of products and their development have entered a stage of even development, with a gradual change in the single-product image and the situation of poor development capacity. According to incomplete

statistics by the Electronic Group Company, of 73 products newly developed by the enterprises under it, those in the investment category, such as calculators, instruments and meters, components, and so forth produced in coordination with other industries, have accounted for 60 percent, with a change in the previous situation of producing receiver-recorders, television sets and other household electrical products by chiefly assembling parts. The textile trade has also paid attention to developing high-quality textiles.

At present, products exported in large quantities include television sets, bicycles, electronic clocks, quartz watches, cylinder printing machines, machine parts, and so forth.

-- The business of bringing in foreign capital has been done in a more prudent and solid way than before, with attention to the quality and results of contracts and projects. The number of contracts or projects involving foreign capital brought in this year is slightly less than last year. But the actual amount of capital brought in and put to use has reached \$200 million (up to the end of October), an increase of more than 30 percent over the corresponding period of last year. Moreover, the percentage of foreign capital in the total amount of investment, the advanced nature of technology, and the proportion of products sold abroad have shown relatively great improvements over the corresponding period last year. The percentage of goods sold abroad has generally reached around 70 percent. There has been a marked increase in light industrial and textile items, putting the industrial composition on an increasingly rational basis.

But economic results have not shown big growth and remain at a relatively low level. According to an analysis, the causes are an increase in the prices of raw and other materials, a rise in foreign currencies, and so forth.

According to an analysis by officials of industrial departments here, Shenzhen's industry will show still greater development next year. The tentative annual plan calls for an industrial output value of 4 billion yuan.

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CSO: 4006/195

ECONOMIC ZONES

GOOD PROSPECTS FORESEEN FOR SHENZHEN'S DEVELOPMENT

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 38, 1 Oct 86 pp 34-36

[Article by Liang Wensen [2733 2429 2773]: "Good Prospects for Continued, Balanced Development of Shenzhen"]

[Text] It would be profitable and of practical significance for us to summarize the economic development of Shenzhen in the past few years, recalling the past and looking to the future.

Overall Economic Development in Shenzhen

Shenzhen, in 6 arduous years of getting itself established, has laid an initial foundation for economic and social development and made great achievements.

Over the 6 years, 6.4 billion yuan has been invested in capital construction. About 48 square km of land has been developed, more than one-third of the land which can be developed, and construction has been completed on 9.3 million square meters of building space. Besides completing the construction of basic infrastructure facilities as in the plan, many factories, residences, shops, and facilities for tourism, S & T, education, culture, and health have been built. There are well over 100 tall buildings, making Shenzhen one of the cities in China with the highest concentration of tall buildings. This construction has created the basic preconditions for the economic and social development of the SEZ. Shenzhen used to be just a small border town with an area of only 3 square km and a population under 30,000. It has now become a rising medium-sized city of 470,000 people, in the first stages of modernization. Americans have dubbed it an "overnight city" [English phrase provided in text] This is truly a rare event in the history of urban development.

Rapid Growth of Industrial and Agricultural Production. In one leap, industry went from 224 factories in 1979 to 907 in 1985. The number of workers has grown from more than 8,000 to over 90,000. Shenzhen produces more than 800 different products. The 1985 GVIO was 2.67 billion yuan, a 43-fold increase over 1978, and an annual increase of 88 percent. Agriculture has started to establish a quite modern base, on a considerable scale, for the production of

fresh agricultural products and byproducts. Its annual production capacity is: 10 million chickens, 300,000 pigs, 1 million ducks, 20,000 tons of milk, 20,000 tons of fish from ponds, and 180,000 tons of vegetables. With capital construction occupying more land and the farm acreage shrinking, the GVAO in 1985 was still 185 million yuan, an increase of 169 percent over 1979, and an annual growth rate of 8.7 percent. This means that industry and agriculture have developed a considerable production capacity and have a definite material and technical foundation for production.

Major Growth in Transportation, Shipping, Post and Telecommunications. More than 100 main transportation routes, with a length of 160 km, have been established within the city. The electrification and laying of multiple track on the railway linking Guangzhou and Kowloon will be finished soon. The Chiwan dock has been completed and the port of Mawan is being constructed. The Nantou heliport has been completed and preparations are being made for building the international airport. Work has also started on the highway joining Hong Kong and Guangzhou. Whether by land, sea, or air, these projects will increasingly facilitate domestic and foreign transportation to and from Shenzhen. In 1985, more than 80 million people were carried, an annual increase of 82 percent. The volume of goods carried was 36 million tons, an annual increase of 63.6 percent. The harbor handled 3.5 million tons of goods, an annual increase of 51 percent. Post and telecommunications did more than 130 million yuan of business, an annual increase of 46.4 percent. Within the city there are 12,000 automatic telephone switches, an average of one telephone switches for 8 residential households, the highest in the nation. Long distance calls can be dialed directly to America, Hong Kong, Australia, and several dozen cities within China. This facilitates the rapid transmission of foreign and domestic information.

Continual Development of Commercial Service. Rapidly growing commerce and trade are paving the way for industrial and agricultural production. For example, in 1985, the volume of social commodity retail sales in Shenzhen reached 2.64 billion yuan, a 20-fold increase over 1979, and an annual growth of 65.8 percent. The total value of foreign exports was \$563 million, a 24-fold increase, and an annual growth of 71 percent. By 1985, the food service industry had grown from only 5 state-run establishments to 414 places to eat and drink, run by the state, collectives, and individuals, and employing more than 7,000 people. The growth of the commercial service industry has served as a link, joining production to circulation and domestic markets to foreign ones.

Based on Growth in Production, City Residents' Income Increases Markedly, Everyday Life Rapidly Improved. In 1985, the per capita national income in the city was 4,100 yuan, a 3-fold increase over 1979, and an annual growth of 26.4 percent. The net average annual income for peasants was 750 yuan, 14.3 percent more than the previous year. The average annual wage for workers was 2,418 yuan, 10.7 percent more than the previous year. Working people are happy with their lives and jobs, since each gets what he has earned. Everybody radiates patriotic fervor and enthusiasm for developing Shenzhen. This has not only ended the flow of people to Hong Kong and Macao, it has also drawn back more than 1,000 people from Hong Kong who have settled in Shenzhen.

The Rapid Economic Development of the Shenzhen SEZ and the Daily Improvement in the Investment Climate Have Allowed Shenzhen to Begin Serving as the "Four Windows" and Axis of the "Two Fans" Which Radiate Out Within China and Overseas, As Well As Starting To Demonstrate Its Appeal to Foreign Investors. In the past 6 years, the SEZ has signed more than 4,300 agreements and contracts with businessmen from 17 countries and regions. The total value of investment agreements is \$3.53 billion, of which \$940 million in foreign investment has actually been used. This accounts for 20 percent of the \$4.6 billion directly invested in all of China. Advanced technology and equipment imports roughly account for more than 40 percent of total technology and equipment imports. Shenzhen SEZ has joined with interior enterprises and research organizations to import advanced technology. After the technology has been assimilated, it is developed, shared, and transferred to the interior. This technology, including construction technology, industrial technical design, sample equipment, and sample products, promotes rapid economic and technical growth in the heart of China and has achieved quite high economic results. The SEZ has also functioned as expected in diffusing this technology into the interior. For example, a technically advanced piece of equipment imported in 1984 by a textile company in Shenzhen has been transferred to the interior and used to develop new products, raising the foreign exchange earning ability of the interior factory by 800 percent. As another example, the Chinese Aviation Technologies Standard Parts Co imported advanced technology. The standard parts [biao zhun jian 2871 3294 0115] it produces are selling well overseas, and the technology has been transferred to Tianjin, Hangzhou, and other cities. A construction company in Guangzhou used the Shenzhen pile-driving method, reducing its investment by one-third. At the same time, the SEZ is still serving as a window for management and knowledge. It is directly importing scientific management methods and advanced management practices through joint and cooperative ventures with foreign firms (many ventures have foreign nationals, residents of Hong Kong and Macao serving as managers and assistant managers); some of this is imported by enterprises unconnected with foreign firms. For example, the Zhongguan Printing and Dyeing Co in Shenzhen, is a small operation, with few layers of bureaucracy and a skilled workforce, yet its productivity is very high and more than 97 percent of its products are sold overseas. The management experiences of this company have been widely shared with similar enterprises in the interior. In regard to Shenzhen's role as a base for training, the work experience in developing the SEZ has been very educational for many officials. They have gained two basic abilities, how to organize domestic development and how to develop overseas economic ties. According to statistics, more than 30,000 technical and management officials from the interior are playing active roles outside of Shenzhen after having received training and upgrading their qualifications there. Shenzhen also promotes the development of the interior by transmitting in knowledge and information. In regard to fanning out overseas, most exports are produced right in the SEZ, except for the export of a small amount of advanced technology (such as sample computerized Chinese typewriters). In 1985, industrial products sent directly to international markets accounted for 41 percent of total sales of industrial products. When we add on 9.6 percent for import substitution, products being sold for foreign exchange have reached 50.6 percent. This very considerable proportion is a significant indication of Shenzhen's development toward an export-oriented economy.

Fundamental Lessons from Developing the SEZ

The rapid economic and social growth of the Shenzhen SEZ and its outstanding achievements have attracted the attention of the world. I personally feel that the experiences can be basically summarized into the following eight points.

1) The Key to Progress Is To Insist on Implementing Preferential Policies for Attracting Foreign Investment. This means that at the very least, we must ensure that the foreign investor will realize a return on his investment not less than the average obtained internationally. To this end, the central authorities have granted to the Shenzhen government a certain right of review and approval and some preferential policies for attracting foreign investment projects. For example, the SEZ has the right to approve nonproduction projects of less than \$100 million, heavy industry projects of less than \$50 million, and light industry projects of less than \$30 million. The SEZ income tax rate is 15 percent, less than the 33 percent in the interior and 18.5 percent in Hong Kong, and there is the privilege of reducing or exempting the income tax on profits which are reinvested. Imported production materials and exported products are exempt from customs duties. Land-use rates, labor costs, and water and electricity charges are all cheaper in Shenzhen than in Hong Kong. All of these will improve the competitiveness on international markets of enterprises dealing overseas.

2) Creating a Good Investment Climate Is the Basis for Getting Results. After opening the SEZ, efforts were first concentrated on large-scale construction of infrastructure on the designated 327.5 square km, including roads, running water, electricity, telecommunications, gas, drainage pipes, sewage pipes, and ground leveling. In terms of the physical plant needed for a good investment climate, this provided the basic material conditions for foreign firms wishing to open factories or other businesses in Shenzhen. At the same time, in terms of the nonmaterial aspects of a good investment climate, the government formulated and promulgated more than 10 sets of rules, regulations, and relevant details, in order to safeguard the legal rights and interests of foreign firms. To make things easier for foreign businesses, Shenzhen paid attention to improving the work efficiency of SEZ government employees and simplifying the procedures for foreign businessmen entering and leaving Shenzhen. These are all important measures making it easier to attract foreign firms. But the goal of officially using the management system is to offer foreign firms even more openness, more preferential treatment, and more conveniences. This will further perfect Shenzhen's investment climate.

3) Formulate Development Strategy, Determine Overall Direction of Development. The question of exactly what should be the long-term, overall, direction of development in Shenzhen--in other words, what type of SEZ do we want--had to be answered as Shenzhen progressed from the blueprint stage to the development stage. The Shenzhen government promptly organized expert investigations. The experts recommended strategic goals for the development of Shenzhen, which were based on repeated discussions, the guiding ideology from the central authorities on the creation of the SEZ, and Shenzhen's strategic significance. The goals are to strive to establish a

comprehensive SEZ which is export-oriented, relies mainly on advanced industry, and integrates industry, commerce, and technology. Shenzhen should build up a high-level of material and spiritual civilization, and work hard to attain by 2000 a per capita gross national output value on a par with that of Hong Kong around the year 1990. In realizing these grand strategic goals, Shenzhen will further serve as a "window" and the apex of a "fan." It will also exert a positive influence on making Hong Kong more stable and prosperous, encourage Taiwan to return to the motherland, and realize the strategic policy of "one country, two systems."

The Shenzhen government has also determined key points and measures for the development strategy, and the strategic paths to be taken. This will ensure attainment of the development strategy goals.

4) Using Domestic Ties To Achieve Foreign Imports Is a Strategic Method. Shenzhen has the unique geographical advantage of close proximity to Hong Kong, and can benefit from Hong Kong's position as one of the centers of international business. However, Shenzhen suffers from a lack of natural resources, labor, and the small size of its market, and management experience. Looking at Shenzhen's advantages and disadvantages, we see that it is absolutely essential for Shenzhen to establish ties with the interior if it wishes to import large amounts of foreign capital and technology. In order to take better advantage of foreign resources, manpower, technology, management techniques, and markets, Shenzhen must first avail itself of the funds, technology, manpower, and markets of enterprises in the interior. It must work hand-in-hand with the interior to jointly run enterprises in the SEZ, and this experience will be a foothold for further endeavors. Then Shenzhen should reach out overseas to bring in foreign capital. Only in this way can Shenzhen develop its export-oriented economy. Experience has proven that domestic ties are essential for effective foreign imports, and that foreign imports strengthen domestic ties. The two complement each other. They are like the two wings on a bird, both necessary if industry, the backbone of the SEZ economy, is to take off. The recent proposal that "all of China assist the SEZ's and the SEZ's serve all of China" expresses exactly the strategic ideology for opening up: "domestic cooperation and foreign importation."

5) Vigorously Developing the Service Industry Is the First Step to Developing Shenzhen. The SEZ, with its modern economic layout and structure, needs to establish itself, by means of foreign investment, as a comprehensive, export-oriented special economic zone consisting primarily of advanced industry and integrating industry, commerce, and technology. But without the service industry at the vanguard of economic development, a modern economic structure will not come into place. Shenzhen should develop lateral international and domestic ties and must also upgrade commerce, service, transportation, shipping, post and telecommunications, finance, and consultancy beyond their previous levels. These are all objective requirements for the development of modern, large-scale production. Shenzhen should conform with the development trends of the modern international economy; cast aside the traditional view on the function of cities; break with the one-sided emphasis on material production and the old concept which regarded commerce, service, and finance as purely nonproductive fields; change the direction of investments and the

people's consumption patterns; and regard development of the service industry as a major task in the creation and development of the SEZ. It should also strive to build Shenzhen into one of the buying centers of south China; the national center for commodities exchange, commercial activity, and exhibiting and selling foreign goods and technology; and one of the distribution centers for funds, personnel, and information. After 6 years of hard work, Shenzhen's service industry has developed rapidly, and on the whole it has done well. In 1985, service personnel in Shenzhen accounted for 36.2 percent of all people employed; the figure for 1984, 32.4 percent, was 250 percent higher than the national figure of 12.7 percent for the same period in 1985. The 1985 total output value for the service industry in Shenzhen was 50.8 percent of the gross SEZ output value, close to the average level in advanced countries, and exceeding the total value of the economic zone's primary and secondary industries. In 1984, the Shenzhen service industry's share of the total output value was twice that of Shanghai (22.8 percent), and was even more in comparison with the national average (18 percent). It has thus fully shown what can come of a city with many functions and it has also accumulated funds for developing Shenzhen. It is one of the secrets to Shenzhen's rapid growth.

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CSO: 4006/85

ECONOMIC ZONES

SHENZHEN BANS USE OF WIRELESS TELEPHONE

HK080348 Hong Kong ZHONGGUO TONGXUN She in Chinese 1339 GMT 2 Dec 86

[Report: "Shenzhen Bans Use of Wireless Telephone by Hong Kong Businessmen in the city" -- Zhongguo Tongxun She headline]

[Text] Hong Kong, 2 Dec (Zhongguo TONGXUN She) -- The post and telecommunications authorities in Shenzhen City recently dismantled 32 mobile wireless telephone sets brought in and installed by some Hong Kong businessmen in private, and installed ordinary telephones for them which can be dialed to Hong Kong directly.

According to a responsible person of the department concerned, the wireless telephones used by Hong Kong investors in private without authorization in Luohu district have basically all been dismantled. However, more than 30 Hong Kong investors are still using mobile wireless telephones without authorization in Henggang, Shawan, and Buji districts. He demanded that these Hong Kong businessmen stop using these illegal telephones as soon as possible and register direct dial telephones in Shenzhen's post and telecommunications Department.

This responsible person said: Hong Kong businessmen who use mobile wireless telephones in Shenzhen not only have violated the relevant regulations of Shenzhen's post and Telecommunications Department, but have also violated Hong Kong's regulations on banning the use of wireless communications equipment outside the border. He said that the Shenzhen Post and Telecommunications Department has come into contact with the authorities in Hong Kong to discuss ways to ban the use of mobile wireless telephone in Shenzhen.

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CSO: 4006/195

ECONOMIC ZONES

JOINT VENTURES FLOURISH IN DALIAN

Beijing GUOJI SHANGBAO in Chinese 10 Nov 86 p 2

[Article by Sha Xiumin [3097 4423 2404] and Li Wenfang [2621 2429 5364]:
"Dalian Acts to Ensure Success for Joint Ventures"]

[Text] As it further improves its investment climate, Dalian has attracted more and more overseas investors. As of last October, 89 companies from 9 nations and regions such as Japan, Britain, the U.S., the Federal Republic of Germany, and Hong Kong, had signed contracts for joint or cooperative ventures with Dalian, of which 47 have opened for business or gone into production. Total investments amounted to \$328 million, of which over \$195 million were foreign capital. Since the beginning of this year, 19 projects already in business or production have increased output value and foreign exchange earnings by 35 and 70 percent, respectively, over last year.

On 13 August 1984, Lianda Shipping Company, a joint venture between Dalian and Hong Kong, ushered in the era of joint ventures in Dalian. As time went by, more and more contracts for joint and cooperative ventures in production and the service sector were concluded. Under the overall planning of the municipal Foreign Economic Relations and Trade Commission and other pertinent departments, Dalian has taken pains to steer foreign investments in certain directions, notably industrial production, finance, and commercial service. Of the projects signed this year, over 70 percent are in production. Through joint and cooperative ventures, the Chinese and foreign parties benefit one another and many products have broken into the international market or substituted imports. Another direction into which foreign investments are channelled is export-oriented objects. After going into operation, many cooperative ventures turn out goods readily marketable in the world and increase their ability to earn foreign exchange. The Dalian Aquaculture Food Company, a joint venture between China and Japan, processes kelp into kelp extract, using imported advanced foreign technology. It sells its entire output abroad and has earned more than \$500,000 in foreign exchange this year.

The development of joint and cooperative ventures in Dalian has been quite successful mainly because the various departments in charge in the municipal government closely coordinate their actions and fully cooperate with one another. They give foreign investors the same treatment in water,

electricity, and gas supply as they do state-owned enterprises. Moreover, they have further improved the investment climate, transport, and posts and telecommunications, creating favorable conditions for foreign investors in Dalian. They have also worked hard to implement the State Council's "provisions on encouraging foreign investments," solve foreign businessmen's real problems, and improve the investment climate.

How to implement the State Council's provisions concerning the encouragement of foreign investment and create a good investment climate in order to attract more foreign investors? Dalian is in the process of drawing up detailed rules and regulations.

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CSO: 4006/163

ECONOMIC ZONES

BRIEFS

IMPORT OF FOREIGN TECHNOLOGY--Beijing, 14 Dec (XINHUA)--China's 14 open coastal cities have imported a total of 10,800 items of advanced technology and equipment, about half of which have gone into production. Major industrial bases and trade ports in the country, these cities generate one third of China's total industrial output value, and they deal with two thirds of the country's export goods. With imported key technology and equipment, Shanghai, Dalian and Tianjin, China's shipbuilding bases, have constructed a number of berths to manufacture several dozen huge oil tankers, freighters and container ships. The whole ship-making technology is up to the international standard and has been approved by noted international ship inspection organizations. Foreign technology and equipment have helped update many industries in these cities and bring some close to the world standard. Some enterprises have made improvement and renovation on the imported technology and equipment and then transferred their results to other parts of the country. [Text] [Beijing XINHUA in English 0637 GMT 14 Dec 86] /9604

ZHUHAI PLANS NEW HELIPORT--Beijing, 13 Dec (XINHUA)--The Zhuhai Special Economic Zone in South China's Guangdong Province is planning to build a new helicopter airport very soon, CHINA DAILY reported today. The new heliport aims to provide a transport service for the development of oil in the South China Sea, the paper said. The original heliport in Zhuhai, which opened in December 1985, used to be the transfer post for CAAC's helicopters serving oil companies in the region, but due to local conditions, the airport has found it difficult to keep up with the growing service demands, it said. The new heliport will be built in the southern coastal area of the city, southeast of the original airport. To the south and east of the new heliport is the Pearl River Delta, which is relatively underdeveloped. Future construction in the region will be kept under strict control to ensure the safety and efficiency of the heliport, according to the paper. In addition, the paper said, a hovercraft service has been opened between Jiuzhou wharf and Hong Kong and Shenzhen. [Text] [Beijing XINHUA in English 0717 GMT 13 Dec 86] /9604

DEVELOPMENT ZONES IN COASTAL CITIES--Beijing, December 11 (XINHUA)--China has constructed 13 economic and technological development zones in 12 of the 14 coastal cities designated open to foreign investment, trade and technology in 1984. The zones are located in Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Fuzhou, Guangzhou and Zhanjiang, and Shanghai has two such zones. The remaining two are Wenzhou and Beihai whose economic and technological development zones are not yet under construction. "The zones cover a total area of 14 square kilometers, where infrastructural construction is just about complete in preparation for potential investors," according to local officials. Up to now, firms from many countries and regions have signed agreements on more than 300 projects to be built in the zones, including some that have already been completed. [Text] [Beijing XINHUA in English 0238 GMT 11 Dec 86 OW] /6662

CSO: 4020/69

DOMESTIC TRADE

INTERPROVINCIAL COOPERATION BENEFITS HEILONGJIANG INDUSTRY

Beijing RENMIN RIBAO in Chinese 30 Nov 86 p 2

[Article by Gu Wanming [7357 8001 2494]: "Heilongjiang Open Itself to Other Provinces"]

[Text] Conforming to the trend of the development of a commodity economy, Heilongjiang has opened the provincial door of its own volition, let in a flow of high-quality products from other provinces, imported new technology and new processes, and raised the competitiveness of local products, at the same time sending a flood of northern products to the south.

For many years Heilongjiang products could not compete in the domestic market, prompting numerous enterprises to demand that the entry of non-Heilongjiang products into the province be restricted. As a result, some enterprises stayed backward and the quality of their products did not improve noticeably. Their sales outside Heilongjiang shrank by the day.

Confronting realities, the departments concerned in Heilongjiang began to realize they must eradicate the mentality of autarkic small-scale production, break out of their isolation, and import advanced technology, this being the only way to make local products more competitive. Over the past 2 years, the province took the initiative to open its door and actively imported the production technology and processes of advanced products outside the province. The provincial government has made policies supportive of the effort to import advanced products from outside. In light industry alone, the production technology and processes of over 40 advanced domestic products, eg., bicycles, watches, cigarettes, and food, have been introduced so far. In the past, Harbin Bicycle Industrial Company, maker of the "Kongque" brand of bicycle, had a large inventory on its hands because of the poor quality of its products. Since last year, the company has been calling on three Shanghai bicycle companies, imported the production technology and processes of the Fenghuang brand of bicycle, and, using it as a model, looked for defects in its own product. That way they identified 26 ways to improve it and the result is a brand new Kongque bicycle. Today, not only has the flow of southbound Heilongjiang products been increasing steadily, but some products have also found their way into the international market. A host of advanced machinery, textile products, food, and other goods have also begun to gain prominence on the domestic market.

12581

CSO: 4006/163

FINANCE, BANKING

FIRST JOINT VENTURE BANK SHOWING PROFIT

OW281439 Beijing XINHUA in English 1317 GMT 28 Nov 86

[Text] Xiamen, 28 Nov (XINHUA)--The Xiamen International Bank, China's first joint venture bank with overseas partners, has earned 12 million Hong Kong dollars (about U.S. \$1.54 million) in net profits since its inauguration a year ago.

Bank President Liu Shuxun said here today the bank in the Xiamen special economic zone, Fujian Province, had doubled the value of its assets to one billion Hong Kong dollars by the end of October.

Foreign investors enjoy lower tax rates and other preferential terms in Xiamen and three other such zones in neighboring Guangdong Province.

With a registered capital of 800 million Hong Kong dollars, the bank is now being run by three financial agencies in Fujian and Xiamen, the Panin Holdings Ltd of Hong Kong.

Liu said, "our bank has extended nearly 100 million Hong Kong dollars in loans to export-oriented businesses in Xiamen, and taken in 6.5 million Hong Kong dollars in savings deposits over the past year."

The bank has a subsidiary in Hong Kong and another in Macao. It has forged business ties with 10 foreign banks including the Standard Chartered Bank of Britain and the Bank of Nova Scotia in Canada.

Liu said that his bank will offer new services such as discount, leasing, investment in hard currency, and issuance of loans and negotiable securities for customers in the future.

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CSO: 4020/65

FINANCE, BANKING

BANK BEGINS NEW FOREIGN EXCHANGE SERVICE

HK010304 Beijing CHINA DAILY in English 1 Dec 86 p 1

[Article by staff reporter Guo Zhongshi]

[Text] The Bank of China has handled more than \$1 billion worth of forward foreign exchange transactions so far this year on behalf of its customers in a new service aimed at hedging against their risks in the face of the fluctuating exchange rate between hard currencies.

The 14-month-long fall of the U.S. dollar against the steady rise of the Japanese yen and the Deutsche mark is leaving some Chinese enterprises and companies in financial difficulties as they end up paying more dollars for their contracts with foreign firms than were valued for at the time the agreements were signed.

The bank, which has expanded its new service to cover all Chinese companies and enterprises involved in foreign business dealings, is lending a hand to "minimize their losses and guarantee their ability to pay foreign currency at the maturity date of the contracts," said Chu Xinqiang, deputy manager of the foreign exchange department of the bank.

In its new service, the bank buys the kind and amount of foreign currency needed by the enterprises doing business with foreign firms at the prevailing value when the contracts which are all defined in U.S. dollars are signed and uses the proceeds to pay their foreign partners at the completion date.

Chu told CHINA DAILY in an interview that his department was responsible for taking the exchange rate risk away from customers especially those unfamiliar with foreign currency transactions.

With special efforts devoted to the study of currency trends and to keeping a close watch on the world foreign currency market, "we have made some achievements in reducing enterprises' losses due to the variations of strong currencies," he said.

Chu cited the example of a glass factory in Tianjin City, which, in a contract signed with a foreign firm at the beginning of last year, was required to pay 147.36 million Belgian francs at the end of the year.

The factory contacted the Tianjin branch of the Bank of China which suggested a forward exchange transaction after analyzing future prospects for the U.S. dollars and bought Belgian francs for the factory at a value of \$1 to 62 Belgian francs. The exchange rate was quoted at \$1 to 49.9 Belgian francs when the value date came. The factory would have had to pay \$2.9 million more if the bank had not helped.

However, he said, not all risks can be avoided at present owing to unskilled management, poor communications and low efficiency.

The Beijing taxi companies, which bought 8,500 cars with loans from Japan, had to pay some \$100 million more because of dollar depreciation.

Therefore, the bank has decided to further expand its new service for forward foreign exchange transactions and publicize the importance of the service to all enterprises, companies and factories via all channels, he said.

The bank now receives a very small fee for the service and will cancel the fee in the near future, he said, adding that it will also provide enterprises with foreign currency market information and consultancy on exchange rate predictions.

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CSO: 4020/65

FINANCE, BANKING

GONGREN RIBAO REPORTS DEBATE ON STOCK SYSTEM

OW271111 Beijing XINHUA in English 1057 GMT 27 Nov 86

[Text] Beijing, 27 Nov (XINHUA)--A worker in Shenyang, capital of Liaoning Province, sees good returns from stock purchased from his local factory. He bought shares worth 18,000 yuan (U.S. \$4860), which now yields 3,060 yuan (U.S. \$830) annually as dividends at a rate of 17 percent.

This has sparked a discussion among workers and economists, some of whom define it as exploitation, but others argue that these dividends are just like interest paid by the bank, today's WORKERS DAILY reported.

"The debate will continue," the paper said, "But the workers realize the newly introduced stock system has helped break the previous single form of distribution."

Shenyang is one of the cities designated to pioneer the practice of issuing stocks. Most of Shenyang's enterprises still only issue shares to people on their payroll, as a stock market is yet to be developed.

Those who don't approve of the stock system say, it is an obvious regressive step in the distribution system because public ownership and the principle "to each according to his contribution" are the dominant characteristics of the socialist society as described by Marx.

Some say "the stock system was initiated in capitalist countries and is the result of the development of the commercial economy."

Others say "it should not exclusively exist in capitalist countries, and it can also play a positive role in helping to improve China's commercial economy."

Chen Guoqing, in charge of the city's department of machinery, was quoted as saying, "the state should improve legislation to legally limit the amount of shares held by individuals to guarantee the state and collectives holding a bulk of the shares."

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CSO: 4020/65

FINANCE, BANKING

FIRST SHAREHOLDER-OWNED ENTERPRISE IN WUHAN

OW131100 Beijing XINHUA in English 0832 GMT 13 Dec 86

[Text] Wuhan, December 13 (XINHUA)--Wuhan, now pioneering China's urban economic reforms, along with other major cities, has set up its first shareholder-owned company.

The Wuhan Electric Wire Company, with a registered capital of 12 million yuan and 3,000 employees, was set up this week by a dozen factories in and outside Hubei Province.

The government controls half of the shares, each valued at 100 yuan, and the rest are owned by participating factories, cooperative businesses and individual buyers, a company spokesman said today.

The company has issued five-year shares worth a total of 410,000 yuan, and is going to issue three-year shares totaling three million yuan, he added. The shareholders share the company's profits and losses, the spokesman said.

What is remarkable is that in addition to year-end dividends, holders may draw a ten percent interest. The interest and dividends combined will not exceed 15 percent of the value of the shares, the spokesman said.

The company also plans to issue preferential shares of 200,000 yuan to its own staff members, and the holders may draw dividends and interest not exceeding 30 percent of the value of their shares, he said.

"By issuing shares, we have managed to pool funds scattered in society to upgrade our company," he said.

The shareholding system, said the spokesman for the Wuhan Electric Wire Company, helps promote economic cooperation between companies and regions as well.

The system is also being tried out in Shenyang, Chongqing, Shanghai, Quanzhou and other cities, according to earlier reports.

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CSO: 4020/70

FINANCE, BANKING

BRIEFS

FOREIGN EXCHANGE MARKETS--Beijing, 9 Nov (XINHUA)--Chinese banking specialists have suggested opening foreign exchange markets in China to help with a more rational redistribution of such earnings. The suggestion was raised at a seminar held recently in southwest China's Chengdu City. In reporting the discussions, the ECONOMIC DAILY said more than a hundred scholars and financiers gathered. They noted that as China opens to the outside world, different localities have more and more dealings in foreign exchange, and this points to the necessity and possibility for the opening of a foreign exchange market. If this is not done, they said, a black market will be inevitable. The establishment of the proposed market will be able to pool the scattered foreign exchange earnings more at the disposal of local governments and enterprises and to use them in a still better way, they said. [Text] [Beijing XINHUA in English 0848 GMT 9 Nov 86 OW] /9738

LARGE BOND SALE--Guangzhou, 27 Nov (XINHUA)--Guangdong International Trust and Investment Corporation will issue bonds worth 30 million yuan (about U.S. \$800,000) in renminbi from tomorrow. The lowest denomination of the three-year-term bonds is 100 yuan. The interest rates are 11 percent for individual buyers and 8 percent for collective buyers. The corporation will register the names of the buyers, and the numbers and value of their bonds on a confidential basis. The buyers can report any losses and be compensated before the deadline. Residents in Hong Kong, Macao and Taiwan and overseas Chinese can also buy these bonds. [Text] [Beijing XINHUA in English 1540 GMT 27 Nov 86 OW] /9738

NEW MORTGAGE SERVICE--Guangzhou, 27 Nov (XINHUA)--The Bank of China is drawing up temporary measures for foreign currency mortgage service for renminbi (Chinese internal currency) loans for the convenience of foreign-funded enterprises. This was disclosed today at an on-going national credit meeting held in Jiangmen, a city in Guangdong Province. The Bank of China specializes in handling foreign-exchange transactions. The foreign currency mortgage service for renminbi loans will be provided to investors and enterprises with foreign investment who are in need of renmibi and do not want to change foreign currency. These people and enterprises may borrow renminbi from the Bank of China by mortgaging their foreign currency. They will withdraw their foreign currency and interest after paying back the loans. An official at the meeting told XINHUA that a number of branches of the Bank of China have already opened such a service. [Text] [Beijing XINHUA in English 1520 GMT 27 Nov 86 OW] /9738

INTERBANK LOANS CONTINUE--Beijing, 3 Dec (XINHUA)--Branches of China's Industrial and Commercial Bank have conducted mutual borrowing and lending transactions worth 16 billion yuan this year, alleviating a capital shortage problem, said a leading bank official today. The country has set up 12 interregional monetary markets, 6 short-term money markets and some stock and bond markets as of the end of October, according to Huang Yujun, vice-president of the Industrial and Commercial Bank of China. In an article in today's ECONOMIC DAILY, Huang said, "The attitude of the head office toward such interbank loans among its branches is--support, guidance, participation and organization." The vice president also wants branches of the interbank network to establish links with other banks and faithfully live up to the terms of all contracts. [Text] [Beijing XINHUA in English 0713 GMT 3 Dec 86 OW] /9738

MEETING ON SHAREHOLDER ENTERPRISES--Nanchang, 3 Dec (XINHUA)--China now has 7,000 shareholder-owned enterprises, involving share funds of more than 6 billion yuan (U.S. \$1.6 billion). Most of the enterprises pay shareholders, including the state, banks, enterprises and individuals, annual interest and dividends at a rate of 15-20 percent, higher than that for bank deposits, according to a recent meeting here. In these companies, the state holds the majority of the shares. The companies have the decision-making power over production, their strategy being decided by sessions of the stockholder representatives and the board of directors. All 900 share companies in Liaoning and Guangdong Provinces, which pioneered the shareholding system, has improved their production and economic efficiency, the meeting was told. [Text] [Beijing XINHUA in English 1649 GMT 3 Dec 86 OW] /9738

BANK TO ISSUE CREDIT CARD--Beijing, 29 Nov (XINHUA)--The Bank of China will issue a "great wall" credit card in the Chinese currency, "renminbi", for use nationwide, according to ECONOMIC INFORMATION. The card will first be available in Beijing, Shanghai and Guangzhou in January next year, the paper said, adding that the bank began issuing a "great wall" credit card in foreign exchange in June last year. The renminbi card will be in two categories--the "gold card" for those with deposits in the bank exceeding 1,000 yuan, and "ordinary card" for those with deposits of at least 300 yuan. Enterprises which have opened accounts with the Bank of China can apply for the corporate credit card. Seven international credit cards can now be used in 100 hotels, restaurants and shops in Beijing, the paper said. [Text] [Beijing XINHUA in English 0739 GMT 29 Nov 86 OW] /9738

BANK OF CHINA OFFICIAL CITED--Guangzhou, December 8 (XINHUA)--The Bank of China will tailor itself to suit the financial developments of the country by expanding its foreign currency business. As the principal bank specializing in handling foreign currencies, the Bank of China is responsible for raising money and providing loans in foreign currency to help promote overseas trade. Next year, a bank official told XINHUA, "We will be more active in handling trading bills, cash and rent deposits. We will also offer more medium- and long-term loans to stimulate the exports of machinery and electric products. "Also, we will continue to support enterprises with foreign investment and the export of labor," he said. According to the official, more enterprises will be encouraged to use the bank's loans, and experiments will be made in the introduction of loans from foreign banks. [Text] [Beijing XINHUA in English 1240 GMT 8 Dec 86 OW] /6662

TREASURY BONDS--Beijing, December 15 (XINHUA)--China has issued treasury bonds worth over 6 billion yuan (approximately 1.64 billion U.S. dollars) this year, surpassing the annual target by 1.1 percent, the Ministry of Finance said today. The issuance of the bonds is to raise funds for energy, transportation, and other major development projects. Individuals bought approximately two-thirds of the total amount of bonds, with state-owned and collectively-owned units buying the remaining one-third. [Text] [Beijing XINHUA in English 0654 GMT 15 Dec 86 OW] /6662

FORWARD EXCHANGE TRANSACTIONS EXPANDED--Beijing, December 13 (XINHUA)--The Bank of China (BOC), the state foreign exchange bank, has decided to expand its forward exchange transactions on international markets. "More branches and subbranches will start to receive the transactions, instead of seven this year and two last year, for more clients," an official of the bank said, adding that only the head office in Beijing has the right to deal with the international markets directly. BOC began forward exchange transactions in 1984. By October of this year it had made 370 deals, involving a total of 1.7 billion U.S. dollars. The forward exchange deals, which are handled by the buyers and sellers according to the forward exchange rates on international markets, can help import and export companies avoid losses caused by fluctuation in exchange rates. In order to help its clients to reduce costs, the bank plans to reduce the previous rate of commission it asks from its clients for forward transactions from 0.25 percent to 0.1 percent, the official said. [Text] [Beijing XINHUA in English 0905 GMT 13 Dec 86 OW] /6662

CSO: 4020/70

INDUSTRY

OIL INDUSTRY EXPECTS TO OVERFULFILL QUOTA

HK100756 Beijing CHINA DAILY in English 11 Dec 86 p 3

[Article by staff reporter]

[Text] The oil industry is expected to overfulfill its product quotas of 130 million tons of crude oil and 13 billion cubic meters of natural gas this year despite a shortage of funds caused by declining sales following the sharp slump in international oil prices since the beginning of the year.

By the end of November, Vice Minister Zhou Yongkang of the Oil Industry said on Tuesday, oil fields around the country had produced more than 118 million tons of crude oil and 11 billion cubic meters of natural gas, an increase of 4 percent and 3.7 percent respectively over the same period of last year.

Zhou was speaking at a ceremony introducing CHINA OIL NEWS, a weekly publication that will be started on 7 January by the Ministry of Oil Industry to provide information about state policies and strategies for oil exploration and research, and to reflect the work and lift of the country's 1.3 million oil workers.

Daqing Oilfield, the largest in China, is expecting another production increase in 1986 with no less than 55 million tons, the vice minister said. But the largest increase will be in the country's second largest oilfield, Shengli in Shandong Province, where the crude oil output will be well above 29.5 million tons. This would account for more than 40 percent of the country's total increase this year.

Liaohe Oilfield in Liaoning Province this year is replacing North China Oilfield in Hebei Province as the country's third largest oil producer. Its output will reach 10 million tons.

But the oil industry is feeling the pinch in funds, Zhou said. With the decline in exports and income, the state has reduced its allocations for prospecting.

According to a report in a trial edition of CHINA OIL NEWS, a large portion of development funds have to be raised by the industry itself, which now practices a contract responsibility system that links production and the funds that may be retained for its own use.

State-allotted funds for oil prospecting usually account for one-third of the industry's total expenses.

The report predicts that the shortage of funds will remain for several years, making it difficult to increase annual production of crude oil to 150 million tons by 1990 as planned.

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CSO: 4020/71

INDUSTRY

XINHUA CITES PAPER ON NECESSITY TO UPGRADE EQUIPMENT

LD122126 Beijing XINHUA in English 1528 GMT 12 Dec 86

["Factory Retooling, Pressing Task, Says Paper"--XINHUA headline]

[Text] Beijing, 12 Dec (XINHUA)--Immediate equipment upgrading and technical renovation have become pressing tasks for China's old enterprises, the ECONOMIC DAILY said today.

Some of China's 20-to-30-year-old enterprises are outdated in equipment and technology, which have severely hampered the development of production, according to the paper.

China now has 7,500 large and medium-sized enterprises, and 70 percent of them were built during the 1950s and 1960s, a commentary in the paper said.

A story in the paper said accidents have occasionally happened in a 60-year-old Shanghai wheat flour mill, which faces the danger of a halt in production at any time, due to its outdated and worn-out equipment.

The flour mill, which has registered a continuous profit drop in the past few years, can not even afford to stop production to have its equipment repaired because this will cause great inconvenience to the city's residents and food industries.

Ironically, a British company recently offered a high price for an old machine made by the company, which has vanished in other parts of the world, to display as a historic relic.

The paper cited the old industrial base of Harbin, capital of northeast China's Heilongjiang Province, as another example of the urgency of upgrading old machinery.

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CSO: 4020/71

INDUSTRY

BRIEFS

ENERGY CONSERVATION IN COAL USE--Beijing, 9 Dec (XINHUA)--Chinese industrial enterprises saved energy amounting to 9.2 million tons of standard coal during the first nine months of this year, according to the State Statistics Bureau. Chinese enterprises consumed 350 million tons of standard coal in the first three quarters of this year, a 3.7 percent increase over the 1985 figure, as against a 6.4 percent increase of industrial output, the statistics showed. For every 10,000 yuan of products, 5.36 tons of energy were used, 2.6 percent less than last year. The energy-saving achievement was attributed to new measures adopted by major consumers like iron and steel plants and by a new coal-washing system which produces more dressed coal. Some places have also set up power plants powered by coal slabs instead of good coal. [Text] [Beijing XINHUA in English 1453 GMT 9 Dec 86 OW] /9738

LATHE INDUSTRY BANK LOANS--Beijing, 12 Dec (XINHUA)--Shanghai officials and experts have studied the feasibility of using World Bank loans between 1987 and 1991 to upgrade its lathe-making industry, city officials said today. But they declined to disclose the size of the loans the city hopes to acquire from the World Bank. The State Council has approved their feasibility study report which aims to enable the industry to produce precision, highly efficient numerical controlled products. Most of the new products should [be] up to international standards used at the turn of the 1980's, the officials said. Shanghai--a major lathe producer of China--has seen most of the products and equipment of its lathe-making factories become outdated, which need revamping urgently. The report suggests that the foreign currency needed for the project be obtained from World Bank loans and that the rest of the investment be supplied by domestic banks or raised by the enterprises. [Text] [Beijing XINHUA in English 0902 GMT 12 Dec 86 OW] /9738

CSO: 4020/71

SMALL-SCALE ENTERPRISES

GUANGMING RIBAO ON AIDING SMALL ENTERPRISES

OW221202 Beijing XINHUA in English 0744 GMT 22 Nov 86

[Text] Beijing, 22 Nov (XINHUA)--A front-page commentary in today's GUANGMING DAILY encourages scientists and technicians to leave big factories and help manage smaller factories to promote production there.

"More than 90 percent of China's enterprises are small in scale, but account for nearly half the country's industrial output," according to the paper.

The commentary said, "there is an uneven distribution of technicians and engineers in Chinese enterprises, and surveys show that factories under the second light industry bureau of Nanning City don't have a single technician," adding that 43 factories under a Tianjin industrial bureau also have no technicians. The surveys also show that some big enterprises have a surplus of technicians.

"The direct involvement of technical personnel in the production and management of small factories will enable science and technology to be quickly converted into productive power," the report stressed.

The redistribution of scientists and technicians will also effectively resolve poor management problems and backward production methods, it added.

"Scientists must get rid of conventional ideas and dare to work as entrepreneurs," it said, adding that in China's history quite a number of noted scientists became entrepreneurs.

"Scientists nowadays will have a bright future in small enterprises," it said, "and some small factories produce many first-rate products. Exchanging the 'iron rice bowl' for limited term contracts in small factories might be an adventure," the report warned, "but all reform meets with risks."

For the past few years, some technicians employed by big enterprises have worked as technical advisers to small factories in their spare time and helped the enterprises to boost production.

"Nearly all rural enterprises in east China's Zhejiang, Jiangsu and Anhui provinces have benefited from technical assistance from experts working in big cities," the paper said.

The commentary also called for reforms in the personnel exchange system to make it possible for a more rational flow of scientists and technicians.

"Regulations should be worked out to ensure stable promotion scales and wage increases for those technicians working in small enterprises," it said.

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CSO: 4020/65

SMALL-SCALE ENTERPRISES

BRIEFS

SICHUAN INTELLECTUALS HELP RURAL INDUSTRY--Beijing, December 5 (XINHUA)--The government of Southwest China's Sichuan Province has encouraged local scientists and technicians to pass on their technical know-how to rural enterprises during their spare time, according to today's GUANGMING DAILY. Over the past two years, about 100,000 scientists and technicians have been to the countryside to serve as factory directors or advisors. To encourage scientists to do so, the provincial authorities have issued documents to allow them to get extra pay from part-time jobs. Local banks have also been instructed to provide loans to them so that they can run enterprises and implement their technical innovations. About 216 technicians who displayed their talents and skills in running rural enterprises have been rewarded at a provincial ceremony Thursday. At the rewards ceremony, Governor Jiang Minkuan said that local leaders should allow intellectuals in their units to leave their job and go to the countryside. [Text] [Beijing XINHUA in English 1105 GMT 5 Dec 86 OW] /6662

MORE PRIVATE BUSINESSES--Beijing, 24 Nov (XINHUA)--The number of private businesses in China has risen in the second half of this year, according to statistics from the state industrial and commercial administration. After a decrease earlier this year, 270,000 new private businesses employing 470,000 people had appeared by the end of September, making the total 11.62 million with 17.66 million people employed. An official from the State Industrial and Commercial Administration said, "the number of private businesses dropped for the first time earlier this year, a reduction of 360,000 less than at the end of last year." The drop is due to poor management and lack of funds. The administration assured private businesses that the current policy will remain unchanged for a long time, and encouraged them to undertake professions according to the needs of society. Officials of the administration said that more businesses involving food, service and repair have appeared. [Text] [Beijing XINHUA in English 1611 GMT 24 Nov 86 OW] /9738

CSO: 4020/65

AGRICULTURE

GUIZHOU LEADER ON PROBLEMS OF DECLINING FORESTRY

HK220315 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 21 Nov 86

[Excerpts] Qiao Xueheng, director of the provincial party committee's Rural Work Department, said at a provincial forestry work conference on 21 November that Guizhou is facing a situation of continuing decline in forest resources and deterioration in ecological environment. He said: Due to the destruction of forests for land reclamation, indiscriminate tree-felling, and various other reasons, the province's forest cover is declining year by year. As a result, the area of soil erosion is growing each year. More and more mountains are being denuded of trees.

Qiao Xueheng said that in view of the problems in the province's forestry, it is essential to mobilize the whole of society to tackle the issue in a comprehensive way. We must organize everyone to plant trees, grass, and flowers every year and speed up the accomplishment of the afforestation plans. The forestry departments must take full advantage of the strong points of the state forestry farms in capital, technology, and management, and promote lateral ties with households specializing in forestry and with township and village forestry farms. It is necessary to practice intensive operations, rely on science and technology, and speed up the building of high-yield forest bases.

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CSO: 4006/165

AGRICULTURE

MEASURES PLANNED TO IMPROVE LAND MANAGEMENT

OW091749 Beijing XINHUA in English 1514 GMT 9 Dec 86

[Text] Beijing, December 9 (XINHUA)--China will make better use of its land resources and improve land management by legal, economic and administrative means to the benefit of the country's economic construction, an official from the National Land Management Bureau under the State Council stated today.

Wang Xianjin, director of the bureau, said that China will also employ the system of using publicly-owned land on a fee-paying basis to replace the existing system of using the land free of charge, at a press conference to mark the enforcement of the country's land law as of January 1 next year.

The move, he said, is aimed at putting an end to the "serious situation" in which the area of arable land is drastically shrinking while population keeps growing.

Various reforms concerning land management should continue, he said, adding that the state should strictly manage the long-term and annual use of land for urban and rural construction.

Only two-thirds of the country's 960 million hectares of land is arable land; the rest is desert, glacier and mountains. The national average land per capita is less than 0.1 of a hectare, far smaller than the international average of about 0.3 of a hectare.

Various reservation areas should be established to protect historical sites and scenic spots, and important production bases for agriculture, forestry, animal husbandry and side-line products.

Fees are to be levied for using arable land, he said. Thus, the use of land will be considered as an important component in the efforts for better economic results from land, he stated.

The director called on local departments to exploit land resources in a scientific way and to strengthen scientific research into land management so that "every inch of the country's usable land will produce the best economic, social and environmental results."

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CSO: 4020/67

AGRICULTURE

MEETING DISCUSSES HUANG HE SOIL EROSION

HK060603 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 6 Dec 86

[Excerpts] The second plenary meeting of the Commission for Soil Conservation on the Middle Reaches of the Huang He was held in Shaanxi recently.

Zinghai, Gansu, Ningxia, Shaanxi, Nei Monggol, Shanxi, and Henan have now controlled soil erosion over a total of 120,000 square kilometers. This includes the construction of 46 million mu of 4 types of field, the sowing of trees and grass on 86 million mu, and the closure of 10 million mu of mountains for growing trees and grass. As a result, the annual volume of silt washed into the Huang He has dropped by an average of 200 million tons.

Bai Jinian, chairman of the commission and secretary of the Shaanxi Provincial CPC Committee, delivered a report at the meeting. He said: During the Seventh 5-Year Plan, we must give first place to economic results in soil conservation work on the middle and upper reaches of the Huang He. We must stimulate the integration of economic and ecological results. We should give priority to near-term and mid-term results, so that the masses will benefit as quickly as possible from controlling soil erosion. We must give priority to quality in the work.

Yang Zhenhuai, vice chairman of the commission and vice minister of water resources and electric power, delivered a summation. He said: During the Seventh 5-Year Plan, the areas around the middle and upper reaches of the Huang He should control soil erosion on about 10,000 square kilometers a year. This planned figure should be kept stable. We should combine biological, engineering, and cultivation measures, to achieve comprehensive control of soil erosion, drought, and sandstorms. We must strengthen people's concept of legal system and control soil erosion and prohibit artificial damage in accordance with the law.

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CSO: 4007/71

AGRICULTURE

SOIL EROSION, DESERTIFICATION POSE PROBLEMS

HK100108 Beijing CHINA DAILY in English 10 Dec 86 p 3

[Article by Ma Lixin]

[Text] China, already plagued by a land shortage as its population continues to grow, now faces loss of even more land to pollution, soil erosion and desertification, CHINA DAILY was told.

The latest survey shows that in the past 30 years that country has lost 16.6 million hectares of land to soil pollution, 150 million hectares to soil erosion and 0.93 million hectares to desertification, according to Wang Xianjin, director of the new State Land Administration.

Both soil erosion and desertification are developing faster than expected, Wang said.

With only about two-thirds of its land usable and only about 100 million hectares arable, China must save every possible bit of land--especially farmland, Wang said.

The new Land Administration Law, the first since 1949, will become effective on 1 January and it will be strictly enforced, he said.

"Meanwhile, the state will act to restrict requisition of land for residential or industrial purposes to a maximum of 0.33 million hectares per year," Wang said.

Charges will also be placed on use of state land, which up to now has been free, he said.

The use and development of land resources have not taken economics into account, causing great wastes, he said. Under the new law, those who occupy state land must provide funds for developing new land.

To control unreasonable land occupation, land protection zones will be set up. These will include major historical and scenic areas, natural regions, and important centers of farming, forestry and animal husbandry, Wang said.

Emphasis should be put on the country's intensely populated southeastern coastal and southwestern areas, he said.

Vegetable-growing land in city areas may not be turned to other uses unless really necessary, he said.

"China must be very careful how it uses land," Wang said. The average usable land--that is, all but deserts, mountains, rivers and other uninhabitable areas--is only 0.6 hectares per person. "Once land has been taken out of agricultural use, it is very difficult to restore it," he said.

Some units are now occupying arable land illegally and will be punished according to law.

The State Land Administration, directly under the State Council, started working last August.

Land, which is considered the most basic means of production, may not be sold or leased in China but is allocated among state and collective institutions by state administration.

While China covers 9.6 million square kilometers, one-third is desert or mountainous.

According to Wang, arable (crop) land in China averages 0.1 hectare per person, one-eighth of the United States' average, one-third of France's and two-fifths of India's. Among the 26 countries whose population exceeds 50 million, China ranks 24th in arable land per person, above only Japan (0.04 hectares) and Egypt (0.06 hectares).

The world average of arable land per person in 1980 was 0.32 hectares. All countries below the world level failed to achieve grain self-sufficiency.

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CSO: 4020/72

AGRICULTURE

LIAOWANG ON AGRICULTURAL DEVELOPMENT, CHANGES

HK040435 Beijing LIAOWANG in Chinese No 47, 24 Nov 86 p 4

[Commentator's article: "New Changes are Taking Place in China's Rural Areas"]

[Excerpts] At the beginning of winter, all kinds of farm work from the north to the south came to a halt, and the hundreds of millions of Chinese peasants are now reviewing their gains and losses in production and business operations during the past year, and rural cadres at various levels are busy summing up both positive and negative experiences in rural work and analyzing the situation in agricultural production and rural reform. Every year at this time, people are more concerned with the countryside.

How is the situation in the countryside in 1986? Perhaps we can summarize the situation in two sentences: The speed of development has returned to normal since breakthroughs have been made; and reform is developing in depth and will open new prospects. Grain production decreased by a big margin last year, but it increased by more than 10 million tons this year, as a result of defeating many natural disasters. Other farm production and peasants' income have also increased. This is an inspiring development. At the same time, some reports show that the growth rate of agricultural production and the growth rate of peasants' income this year have all slowed down. Therefore, some people are worried, and it seems to them that the state of things is "not good enough."

The slowdown in the growth rates of agricultural production and peasants' income precisely reflects a change from an extraordinary development mode to a normal development mode in our rural economy. This slowdown is a normal phenomenon. If we continue to develop reform in depth and better arrange our work in all fields, the growth rate may be raised to a slightly higher level, but it is impossible to bring about the extraordinarily high growth rates that we saw a few years ago. It is important for us to realize this point. We should really understand our national conditions: We have a large population and a relatively small area of farmland, and our agricultural foundation is still rather weak. So we still have to make unremitting efforts in order to really solve the issue of grain production and other issues in rural development. The idea of "developing agriculture at a very high speed" is not in line with the actual conditions in our countryside.

This is also the case in rural reform. The first step of rural reform was mainly to smash the "big pot" and establish the output contract responsibility system. This was followed by some production restructuring inside agriculture. These reform measures mainly affected things inside agriculture and did not involve other aspects of our social life. So it was easier to carry out these measures, and breakthroughs could be made rather quickly. After that, rural reform developed to a deeper level. The second step of rural reform, beginning last year, was part of this in-depth development, and its purpose was to develop the socialist commodity economy. Now the second step of rural reform has achieved rather satisfactory results. In particular, the markets for meat, eggs, milk, poultry, and other non-staple food have been all decontrolled, and the system of concluding grain purchase contracts between the state and peasants has been adopted. This is indeed a brave and significant step forward. The reform measures have brought about profound changes in the countryside and are turning the traditional natural economy into a commodity economy. Peasants have achieved the position of independent commodity producers; the market system in the countryside has begun to take shape; and the rural economy has been further diversified and has given rise to a cooperative economic pattern that includes a variety of economic elements and economic forms with public ownership as a dominant factor.

However, the reform is far from coming to an end, and there are more difficulties than in the first step. The current reform goes beyond the scope of the countryside for it is also related to reform in cities and concerns the interests and relations between producers, dealers, and consumers. As the new system emerges, the old system is not being completely demolished, and the new and the old are overlapping and interwoven. This has also given rise to many new contradictions and problems which cannot be solved very quickly.

The peasant masses hope for further reform, and reform will certainly achieve its expected results. In general, we have not fully developed our agricultural resources and there is still a great potential to tap. So long as we continue to advance reform to a deeper level, the enthusiasm of the hundreds of millions of peasants will be combined with our rich natural resources, and a new era in which China's agriculture will develop steadily and continuously will certainly come.

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CSO: 4006/211

AGRICULTURE

NONGMIN RIBAO ON NEW RURAL ECONOMIC STRUCTURE

HK250809 Beijing NONGMIN RIBAO in Chinese 13 Nov 86 p 1

[Reporter's Commentary: "Embryo of a New Economic Structure in Rural China Is Gradually Forming"]

[Text] Through the past few years' explorations, a new socialist rural economic structure with Chinese characteristics is gradually appearing in an embryonic form in most rural areas of China. This important achievement resulted from the rural reforms that adhered to the orientation of developing the commodity economy in a planned way. It also signified the essential change in the rural areas from self-supporting and semi-self-supporting economies into a relatively large-scale commodity economy.

At present, specialists have not achieved unanimity of views on the contents of the embryo of the new system. But they generally felt that the following aspects should be included:

The Peasants Have Initially Achieved the Status as Producers of Commodities

The implementation of the responsibility system linking remuneration with output, with stress on linking remuneration with households' output, and the gradual restructuring of the commodity exchange system have enabled the peasants to have greater power to decide on production, allocation of products, and management.

A multilayered, Multiform, and Multichannel Rural Commodity Market Is Being Established

Restrictions on the purchasing prices of most agricultural products have now been lifted. As for the staples, including grain and cotton, that are of importance to the nation's economy and the people's livelihood, we have been implementing the twofold pricing system, namely, the contract purchasing price and the purchasing price fixed through free market exchange. To suit the needs of the development of commodity economy, state-operated commerce and supply and marketing cooperatives have begun to carry out reforms. More and more peasants have been participating in the circulation of commodities and entering the market. According to statistics, urban and rural markets throughout the country number over 60,000; wholesale markets for farm and sideline products have been

developed to more than 1,000 in number; and the country fair trade's volume of business last year topped 60 billion yuan, thus achieving a growth rate that is faster than that of the state-operated and cooperative shops' total volume of retail sales of social commodities. To improve their capacity for absorbing market risks and to have a grasp of the ever changing market supply and demand, some peasants are engaged in the organization of supply and marketing activities, thus bringing about various establishments such as agricultural-industrial-commercial corporations, diversified service companies, and trading warehouses. With the development of the product market, labor services, funds, and technologies have begun to flow laterally, and the market for key elements of production [shengchan yaosu shichang 3932 3934 6008 4790 1579 1034] has begun to emerge.

Rural Economy Gradually Transforms Into a Multi-Divisional Diversified Economy

The unitary economy formed over a long period of time has been broken through. The disposition of grain and cash crops has been readjusted. We have begun to attach importance to forestry, herbage, animal husbandry, and aquatic products industry, which were neglected over a long period of time. There has been a rapid development in industry, mining, transport service, commerce, and other service trades. Last year's output value of forestry, animal husbandry, aquatic products industry, and sideline production accounted for nearly half of the total value of last year's agricultural output. The output value of rural industry, construction business, transport service, and commerce has registered a rise and accounted for more than 42 percent of the total value of the whole rural China's output; and the total sales of rural China's industrial products surpassed for the first time the total sales of agricultural and sideline products. While the unitary economy was being broken through, the economic structure that broke up the unity of urban and rural areas has been turned into the road to integration. Urban industrial technology and superior urban talent have been gradually integrated with rural natural resources and superior rural labor force, thus forming new productive forces. The peasants have been continuously knocking at the urban door. They have been selling agricultural products in urban areas, taking the road to prosperity by engaging in building industry, opening urban shops and street stalls, and have been engaging in the tertiary industry in urban areas. At present, over 10 million peasants are engaged in various trades in urban areas.

A Structure with Public Ownership as the Leading Factor and With the Coexistence of Varied Economic Components and Diversified Economic Forms Is Being Formed

At present, vitality of the economy based on public ownership has been enhanced after undergoing reforms, and there has been a definite development of individual economy and private enterprises. At the same time, various types of operations have emerged, including operations based on contracts and leases, operations conducted in partnership, joint-stock operations, and joint operations. According to data provided by the State Statistical Bureau, last year's newly developed combines based on rural commodity economy number over 480,000 with the employment of over 4 million personnel and with a total business income of 13.3 billion yuan. All types of joint operations have broken down the mechanical division of ownership and separated the ownership of means of production from the right to management. As a result, economies of different ownership tend toward co-existence and cross fusion and development.

We should point out that when we say that the old structure is being broken through and that a new structure is appearing in an embryonic form, we are viewing the national situation as a whole. However, when we view the concrete conditions of some areas, we can see that due to uneven development in their economic work and reforms, their efforts in the aforementioned four aspects are crowned with successes in varying degrees and actually produced some disappointing results. We can also see that a few poor areas have not done well in the four aspects. Moreover, although the new structure, which remains to be perfected, has broken through the old structure, it is far from being able to replace the old structure. In real life, there are frequent clashes between the new and old structures. Such clashes have become major factors in restricting a rapid development of rural commodity economy. Therefore, rural reforms must be unceasingly developed in depth. We should enhance vitality on the basis of carrying out reforms in depth. And on this basis, we should also increase and throw in staying power and reserve strength. We basically rely on these two conditions to lay a firm foundation for long-term steady development of our country's agriculture.

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CSO: 4006/165

AGRICULTURE

NONGMIN RIBAO ON NEW CHALLENGE IN RURAL WORK

HK280917 Beijing NONGMIN RIBAO in Chinese 21 Nov 86 p 1

[Commentator's article: "Take a Correct View of the New Situation, Greet the New Challenge"]

[Text] This year's national agricultural work conference analyzed the present situation in agriculture, discussed next year's production plan, and studied various new experiences and issues in deepening rural reforms, improving services, and developing commodity production. Through these thorough discussions, people attending the meeting have become more confident in next year's rural work and agricultural production.

To work out a scientific plan for next year's rural economic work, we should first have a correct understanding of the general situation in our rural economic development. In recent years, reform has greatly changed the situation in the countryside and has brought about many inspiring changes. However, the rural economic situation this year is different from that in previous years. According to reports from various quarters, although grain output is expected to increase over last year, the increase rate is lower than those before 1985 and will be a rather modest rate; the growth in peasants' average income may have also slowed down; and other industries in the countryside, such as animal husbandry and township industries, have all slowed their development pace. In short, although our rural economy this year still maintains record growth, the momentum of development has become weaker than that in the 5 previous years. This slowdown is not a transient phenomenon; it seems more like an omen of a new stage. It indicates that the extraordinary growth in our rural economy between 1979 and 1985 will be replaced with a pattern of normal growth. Therefore, we should have good mental preparations for such a change, and it is necessary to study the new situation in more depth.

We must admit that such a change is inevitable in rural economic development and it is beyond people's will. The speedy development of our rural economy during the Sixth 5-Year Plan period was mainly promoted by a series of reform measures. The rise in farm product prices, the adoption of the output contract system, the implementation of the principle for diversifying the rural economy, and the reform of the farm product purchase system which brought the market mechanisms into play have all greatly aroused peasants' production enthusiasm

and promoted the development of production. The rural productive forces which were restricted for a long time were quickly released, and the accumulated investments in agriculture over a long period were put to work. This thus pushed the rural economy to one record high after another. Obviously, such sharp growth was compensatory in essence. Now, things are quite different. After the potential energy is released, rural economic development needs the accumulation of new energy, and this process will take time. Reform is developing from the field of farming production to all fields of rural life, including the circulation field and the connections with cities. As reform is now related to the readjustment of interest relations of all quarters in society, careful consideration must be given to the capacity of all parties concerned and to the maintenance of normal operation of the social economy. So reform at this stage has become more complicated. Therefore, we cannot expect the continuance of the strong explosive force released at the early stage of the reform. In fact, it is impossible to maintain a high economic growth rate over a long period. Our annual growth rates exceeded 10 percent for so many years, and this extraordinary growth has outdone the agricultural growth in any big country since the end of World War II. No country can maintain such a high growth rate for a long time.

Of course, a normal economic growth rate does not mean a slow development pace. The general situation shows that since the rural economy entered the normal growth mode, some localities and some production items may continue to make substantial development and bring about new record highs in economic development. Particularly in a country like ours there is certainly a period of high-speed growth in the transition from a backward agriculture to a developed agriculture. Moreover, our country has vast territory and rich resources. For example, we have a rich reserve of coal resources. If we make good use of our rich resources and our low-cost labor, we will certainly bring about high-speed growth in our rural economy through economic diversification. At present, we have not yet properly developed and utilized many of our resources, and we have yet to tap great potential in all fields.

As economic development enters a normal growth stage, people are not in a position of having nothing to do. On the contrary, the situation will set higher requirements for them. In this regard, we need more studies, and the best answer will be found through our practice. However, one point is certain. That is, as long as we continue to deepen our rural reform and gradually shape the self-development ability in our rural economy, we will certainly be able to ensure the sustained and steady development of the rural economy and to continue to raise agricultural production, and will thus be able to reach a new and higher stage on the basis of our present achievements.

The change in economic development raises this requirement for all rural cadres and people: Correctly understand the situation and greet the new challenge!

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CSO: 4006/165

NONGMIN RIBAO ON GRAIN PURCHASE SYSTEM

HK120358 Beijing NONGMIN RIBAO in Chinese 6 Dec 86 p 1

[Commentator's article: "A Talk on the 'Dual Track System' of Grain Procurement"]

[Text] The central issue in agricultural development is grain production. The situation in grain production has a decisive bearing on overall reform and the development of our modernization construction. Therefore, we must adopt an appropriate policy to increase peasants' enthusiasm for growing grain crops.

At present, we are carrying out a "dual track system" in the work of grain purchase. Under the "dual track system," the state signs purchase contracts with peasants and also buys grain from peasants on markets. The key difference between the two purchase forms is reflected in the prices. The price for contract purchase is an official one which is fixed by the state for all dealings; and the price for market purchase is free and determined by market conditions. According to the actual conditions in our country, this grain purchase policy must be maintained for a fairly long period. It is a major measure for reforming the grain monopoly purchase system, and is also an indispensable measure for gradually decontrolling and enlivening our grain purchase and sale.

In the past few years, the first-step rural reform centered on the adoption of the household output contract system aroused peasants' enthusiasm and initiative for doing farm work, and greatly tapped the potential of the agricultural production facilities which were formed for many years. This resulted in bumper harvests for several years running. Because the agricultural economic structure had not been substantially readjusted in those years, sometimes it became difficult for peasants to sell grain. In fact, that was merely a transient phenomenon. With the development of the food processing and feed industries, which use grain as raw materials, and with the improvement of the people's food structure, the demand for grain will continue to increase. Now we have found that our grain is still insufficient rather than having been overproduced. So we should place grain production in an appropriate position and always tightly grasp it in our overall economic control.

The present conditions for grain production are quite different from the previous ones. Now, the rural economy has been widely diversified, and the prices for animal products, aquatic products, forest products, fruit and vegetables have all been decontrolled. In addition, the prices for some farm production materials have also risen. All this may lower the economic efficiency of grain production, and may affect the enthusiasm of peasants, especially those in economically developed areas, for growing grain crops. As a result, grain purchase contracts in some localities have not been fulfilled.

Ours is a large country with a huge population, and we cannot depend on importing grain. We must rely on our domestic grain production. Therefore, we should arouse and protect peasants' enthusiasm for growing grain crops. Under the present conditions, however, a substantial rise in the grain purchase price will go beyond the bearing capacity of the state and the consumers, and is unrealistic and infeasible. A slight adjustment of the grain price will not substantially narrow the income gap between grain production and other undertakings. Resorting to political mobilization and imposing compulsory grain production tasks on peasants are even worse methods. So, we should hold to the orientation of reforming the state monopoly purchase system and pursue the "dual track system" for grain purchase for a long time.

It should be clearly pointed out that purchase contracts are in essence tasks. We should not be vague on this point, but should make it plain to the peasants. Leaders at all levels should hold extensive dialogue with peasants and guide them to work for the overall interests of the nation and to perform their duty by fulfilling the grain purchase contracts. At the same time, we should also give thought to the peasants' interests, and further improve the "dual track system." For example, we should reduce the purchase quotas of the contracts year after year and gradually narrow the scope of monopoly purchase. With fewer products being subject to rigid control and more products entering free markets, peasants will increase their incomes from grain production year after year. The price for grain purchased according to contracts should also be slightly raised every year, and fertilizer and diesel oil supplied to peasants according to the purchase contracts should also increase every year so that peasants who grow grain crops will not suffer losses. In short, the contradictions in grain production cannot be solved merely by means of raising the grain purchase price; meanwhile, the grain price must not be kept at a low level year after year. So the only feasible solution is the "dual track system."

In the matter of the grain prices, the "dual track system" is in line with the actual conditions in our country. It is flexible and can easily be regulated. When the situation is good, the pace can be faster; otherwise, the pace can be slower. So long as we have a unified understanding of this policy and actively put it into practice and improve its implementation every year, then we will have bright and broad prospects in grain production.

AGRICULTURE

HOU JIE ARTICLE ON GRAIN PRODUCTION

SK190108 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 17 Nov 86

[Report on article by Governor Hou Jie: "Continuous Efforts Should Be Made to Vigorously Grasp Grain Production Though We Have Reaped a Bumper Grain Harvest"]

[Text] Our province has reaped a bumper grain harvest this year and achieved new development in the undertakings of forestry, animal husbandry, sideline production, and fishery. Total grain output may reach more than 33 billion jin. Thus the province has fulfilled the target set forth by the provincial Party Committee with regard to returning to normal in the same disaster-stricken year.

Though our province has reaped a bumper grain harvest this year, we must see that our province's grain production has not really entered the stage of maintaining a steady and stable increase. The low per-unit yield and unstable total output have not been fundamentally changed. The province's grain production has not overcome the influence of great nature. Therefore, by no means should we lower our guard in grain production because of a bumper grain harvest. Attaching utmost importance to grain production does not mean that we concentrate on one thing in grasping grain production and that we return to the old road of taking grain production as a key link. While not slackening our efforts to grasp grain production, we should do a good job in readjusting the proportional relations between grain crops and cash crops among the planting sectors and should actively develop a diversified economy and enterprises run by townships and towns. If we fail to grasp grain production, we will be in a bad way. If we grasp grain production one-sidedly, we will be unable to achieve a rapid pace in getting wealthy.

In developing grain production, we should uphold the principle of depending on the policy on one hand and relying on science on the other hand. Various rural policies set forth by the central authorities should be further and successfully implemented and be earnestly enforced. Contracts in 1987 concerning the fixed quota purchase of grains must be signed in line with the interests of both producers and the state. Efforts should be made to protect and attach importance to the enthusiasm of peasants in producing grains by adopting various ways and means. Judging from the practice of this year, our province will vigorously popularize the technology of breeding corn seedlings and transplanting the corn

crop next year, planting both paddy and dryland rice, and standarizing soybean and wheat production. Efforts should be made to overcome the technical difficulties in a big way and to strive to increase per-unit yield in order to increase total output.

Our province's conditions concerning earth and weather in various areas are different. In adopting each advanced technology, we should proceed from the local actual situation and popularize the technology suitable to local conditions. We should regard as a standard the low-temperature and frost-free period in a normal year in selecting suitable fine seeds imported from outside and should not place our hopes on the helping hand given by heaven. Efforts should be made to bring into full play the role of rural households engaging in of science and technology work and in specialized undertakings in relaying new technologies.

In line with the characteristics of rural areas, we should grasp the favorable opportunities in the winter-spring period to hold technical training classes at various levels by adopting various effective measures. Through opening technical night classes and correspondence and broadcasting schools, we should pass on the advanced technologies and scientific knowledge to the broad masses of peasants. Localities where conditions permit also may open technical schools for peasants to train agricultural technicians in order to further upgrade the cultivate standard of peasants.

In order to deal with the backward agricultural situation, we should make all-out efforts to upgrade the productive capacity of farmland. Our province has been low in consuming fertilizer and should achieve a steady increase in this regard. We should all the more stress greater accumulations of farm manure, the transfer of urban manure to the rural areas, and efforts to increase the volume of farm manure and to upgrade the quality of farm manure by adopting various ways [and] means. Efforts should be made to enforce the 3-year rotation system of accumulating farm manure and to plant green manure in order to ensure that farmland is nurtured by manure and that output increases by applying manure. We should also enhance the construction of water conservancy works. The current phenomenon concerning some water conservancy facilities that have not been repaired for a long time, the low trend of economic results, and the ever-decreasing capability of combating natural disasters, should merit our attention. We should enhance our protection and management over existing facilities and do a good job in forming a complete set and setting up a coordinated system among these facilities in order to increase the acreage of irrigated farmland.

Agricultural production becomes cyclical each year and is affected by strong local characteristics. Therefore, by no means should we make no preparations for achieving overall development next year in grain production, forestry, animal husbandry, sideline production, and fishery. Efforts should be made to made use of the favorable opportunity of the winter-spring period to make full preparations in ideology and material for winning a still greater victory in agricultural production next year with full confidence in success.

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CSO: 4006/165

AGRICULTURE

RENMIN RIBAO REPORTS ON GRAIN CONTRACT SYSTEM

HK040347 Beijing RENMIN RIBAO in Chinese 30 Nov 86 p 2

[Feature by RENMIN RIBAO reporter Jiang Shaogao (3068 4801 7559): "Zhang Gensheng Predicts New Policy for Improving Grain Contract System Next Year"]

[Text] A few days ago, this reporter interviewed Zhang Gensheng, deputy director of the Rural Development Research Center of the State Council. He revealed that a national conference on rural work had just closed; that the situation in agricultural production was generally good this year, but there were some issues which merited attention; and that the reform will be carried out in depth and more attention will be paid to agriculture next year.

"With regard to agriculture, grain production is a major problem. If there were to be a setback in agricultural production, it would take 3 to 5 years to remedy the losses incurred," asserted a central leading comrade recently. During the interview, Zhang Gensheng revealed; the gross grain output reached its height at 405 million tons in 1984, it dropped by more than 20 million tons last year, and it has been raised by 10 million tons this year. Our grain output target will be 400 million tons next year. Some people call this a "4-years' ups and downs."

How should we view this issue?

Comrade Zhang Gensheng came to a pause and then continued to speak. He admitted that the difficulty had been underestimated when the country attempted to raise the grain output in 1983 and 1984. The grain output was increased by a wide margin in several successive years during the Sixth 5-Year Plan period. It was mainly because the responsibility system linking remuneration to work on a household basis was enforced, giving full play to the factors of water conservation facilities, chemical fertilizer, and science and technology, which had not been brought into play before. Now that all this latent power has been tapped and has already been brought into full play, we cannot possibly continue to maintain an extraordinarily high speed for a long period of time.

He held that it is comparatively difficult for China to constantly raise its grain output in the future. This issue should draw the special attention of the whole country and the whole party. This is due to two reasons: first, the country has a large population but farmland is scarce--every person shares only 1.5 mu of farmland on the average; second, the per unit area yield has been rather

high, and the grain output can hardly be raised by a wide margin without additional investment in farmland and technological development. Now the country's grain production is shifting from an extraordinarily high growth rate recorded in the past few years to a regular growth rate. As agriculture is subject to the limitations of natural conditions and climate, continuous annual growth in grain output is impossible, not to mention a regularly high growth. Fluctuation in grain output is a normal phenomenon, and higher growth would be acceptable. The target for 425 million tons of grain set by the Seventh 5-Year Plan will present an arduous task. However, it will be possible to fulfill this target if appropriate policies are adopted.

Referring to next year's reform, he said: Our major task is to add to, consolidate, and improve the results scored. At the same time, we must take action to put the macroeconomic regulation and control mechanism on a sound basis and shift it from a direct control oriented mode to an indirect control oriented mode. For example, the old system of unified purchase and marketing of grain by the state has now been changed into a system integrating grain purchase orders on a contract basis with multichannel marketing. This is a major reform of China's grain marketing system. The State Council has taken several important measures with a view to improving this system of grain purchase orders on a contract basis next year: First, the purchase quota has been further reduced by 10 million tons; second, every 50 kilograms of grain sold will earn the seller a quota of 3 kilograms of chemical fertilizer and 1.5 kilograms of kerosene, provided that a deposit equal to 20 percent of the purchase value is paid; and third, the grain not covered by the purchase contract (accounting for a little more than 50 percent of the commodity grain) will be marketed at negotiated prices, and the practices of closing the market to grain and arbitrarily laying obstacles to sale of grain will be absolutely banned. So, the state has made it clear that it is the farmers' obligation to fulfill the grain purchase contract, and action has been taken to supply more chemical fertilizer and kerosene to grain sellers. These measures will effectively encourage the farmers to grow grain. The State Council has also decided to raise the output of chemical fertilizer, so that next year's supply of chemical fertilizer will increase substantially over this year, reaching the record of the year 1984. On the other hand, both the state and localities have raised their targeted investment in agriculture. This is an important step to guarantee the fulfillment of the target of growth in grain output for next year.

Readjustment of the production structure is an important part of the second stage of the rural reform. Asked about how this reform will be carried out in depth, Comrade Zhang Gensheng said: The readjustment of the rural economic structure will be carried on. At present agriculture has some 100 million surplus laborers and will face an additional 100 million laborers in the next 15 years. Should these surplus laborers fail to shift to other trades of production, our goal of mechanization and large-scale management of agriculture will not be able to be fulfilled. Anyway, the grain growing area cannot be reduced any more in the current readjustment. Therefore, we should not concentrate our attention on two issues. First, it is necessary to make use of mountainous areas, hilly land, grassland, and waters in order to develop forestry, animal husbandry, sideline production, and fisheries. So far we have not made any breakthroughs in forestry and animal husbandry, the enormous potentials of

which have yet to be tapped. Significant breakthroughs have been made in fruit tree planting, tree farming, aquatic product farming, and special product development in some places, and the second agricultural high tide has come. Second, it is necessary to develop township and town enterprises as well as the secondary and tertiary industries. Since there are wide gaps between different parts of the country regarding their economic development level, it is necessary to apply different policies to different areas. Recently our central leading comrades have asserted on different occasions that more of the labor force can be diverted to coal mining and exploration of other mineral products in the northwest and the southwest, which have underdeveloped economics but rich resources, so that these areas can make greater contributions to the state through exploitation of their energy resources.

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CSO: 4006/165

AGRICULTURE

GUANGMING RIBAO CARRIES ARTICLE ON WATER SHORTAGES

OW052119 Beijing XINHUA in English 1912 GMT 5 Dec 86

["China's Water Resources: Shortages and Solutions"--XINHUA headline]

[Text] Beijing, 5 Dec (XINHUA)--China's economic growth is putting a greater strain on China's water resources and efforts must continue to conserve water, said an expert in an article in today's GUANGMING DAILY.

Water shortages have held back the growth of China's industry and agricultural production, said Yuan Zigong, associate research fellow and director of the Water Resources Research Institute under the Chinese Academy of Sciences. Per-capita consumption of water resources in China is only one-fourth of the international level, and distribution of water is uneven.

China needs to conserve water as the most important measure to alleviate the shortage, Yuan stressed, adding that development of new resources will become more and more difficult and costly especially in areas suffering from water shortage.

According to the author, up to 70 percent of the water resources have been exploited in the Huaihe, Haihe and Liaohe river basins, where the shortage is the most acute. To develop remaining resources would require a huge investment and offer only a small return, he explained.

Coastal cities also suffer from water shortage but desalination of sea water is still too costly.

In the long run, said the expert, water diversion projects from the south to northern areas where water resources are scarce, deserve consideration. But they involve careful study of the technical, social, economical and ecological problems that might occur.

Water used in farmland irrigation should be cut by plugging leaks in irrigation systems, proposed the expert. He also suggested adopting the sprinkler method of irrigation and other water-saving techniques.

Farmland irrigation takes up 85 percent of China's water resources, according to an earlier remark by the Chinese Minister of Water Resources and Electric Power Qian Zhengying.

Industrial enterprises should recycle water to cut down consumption, said the researcher. They should also pay greater attention to the maintenance of water mains to avoid leaks, he said.

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CSO: 4020/72

FOREIGN FUNDS SPUR FARM PRODUCTION, EFFICIENCY

HK120604 Beijing CHINA DAILY in English 12 Dec 86 p 2

[By staff reporter]

[Text] Foreign capital has helped China's state farms raise production and economic efficiency, an official of the State Land Reclamation Bureau said in Beijing yesterday.

Since 1979, the farms absorbed about \$365.7 million, Fan Xianyu, director of the bureau's project office, told a press conference.

The money mainly came from the World Bank, the Food and Agricultural Organization, the European Economic Community and individual investors from North America, Europe, Southeast Asia, Japan, Hong Kong and Macao, Fan said.

The money was used to launch 50 projects in a wide range, including grain, cotton, sugar-cane, tea, and rubber production; and sideline industries such as processing, clothing, beer, toys, electronics and the construction of hotels, apartments and office buildings.

The projects were launched in various forms, including joint ventures, co-operative production, compensation trade, processing form imported materials, loans and leasing.

These projects have greatly promoted the production of the state farms involved, Fan said, listing as an example the Heilongjiang Reclamation Areas, which with a World Bank loan developed 200,000 hectares of waste land for grain and soybean production. The grain and soybean output from the newly developed land now accounts for one-tenth of the area's total grain output.

The Guangdong reclamation area used a \$100 million World Bank loan to plant new rubber farms and upgrade existing rubber farms. As a result, the area's rubber production rose by one-third.

Absorption of foreign funds also helped some state farms to produce national and international prize-winning products, Fan said. A Sino-French

wine joint venture was set up between state farms in Tianjin and a French company producing Eynasty wine, which has won prizes from the Tianjin municipal government, the State Economic Commission, the Ministry of Agriculture, Animal Husbandry and Fisheries, and at international fairs in the German Democratic Republic and Yugoslavia since it began production in 1980.

Encouraged by the success achieved so far, Fan said, China's state farms will make even greater efforts in absorbing foreign capital during the next five years. Fan declined to give specific figures, but disclosed that 40 percent of the money to be used by State farms for capital construction will be foreign funds. The projects to be launched between 1986 and 1990 will include the establishment of 12 farm and animal product export centers, development of new and upgrading of old rubber plantations, and the construction of seed-breeding farms.

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CSO: 4020/67

AGRICULTURE

FARM PRODUCE FROM SHENZHEN TO HONG KONG INCREASES

HK190552 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0952 GMT 16 Nov 86

[Text] Shenzhen, 16 November (ZHONGGUO XINWEN SHE)--Shenzhen's agricultural and sideline products and perishable commodities have acquired new markets in Hong Kong through their good quality, despite a quota limit.

According to the agriculture office of Shenzhen City, it is estimated that the total value of agricultural and sideline products and perishable commodities from Shenzhen to Hong Kong will reach HK\$600 million by the end of this year, an increase of 20 percent over last year. The total value from January to September this year came to HK\$400 million, representing a rise of 21 percent over the corresponding period of last year.

This year departments in charge of agricultural production in Shenzhen have made earnest efforts to raise the quality of export goods, improve traditional low-grade goods, and develop high-quality new products, such as lean meat pigs, seasonable vegetables including colewort, celery, cauliflower, and green cabbage, as well as high-quality snakeheaded fish, moji prawn, sea eel, and oyster. All these products have increased the volume of this year's export trade.

This year departments in charge of agricultural production in Shenzhen have also achieved progress in agrotechnical research. In mid-May, they supplied Hong Kong markets with seedless watermelon before Taiwan. On a trial basis, they successfully grew high-yield grapes with more pulp and less seeds in Jufeng, bred Pacific clams, red groupers, northeast China pleasants and Chinese Francolin. Some of these products have started selling to Hong Kong.

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CSO: 4006/165

AGRICULTURE

BRIEFS

HEILONGJIANG RURAL SAVINGS--As of 20 October, rural savings in agricultural banks in Heilongjiang totalled 825,500,000 yuan, an increase of 236 million yuan since the beginning of the year. [Excerpt] [Harbin HEILONGJIANG RIBAO in Chinese 11 Nov 86 p 1]

YUNNAN TEA EXPORTS--This year the gross output of tea in Yunnan may exceed 35,000 tons, the income of tea farmers will exceed 100 million yuan, and foreign exchange earned from tea exports will be more than 20 million U.S. Last year, gross output of tea was more than 31,000 tons, and the income of tea farmers was more than 90 million yuan. As of today, farmers had sold more than 21,700 tons of tea, an increase of 8 percent over the same period last year, and income increased 43 percent. As of the end of October more than 9,000 tons of tea had been exported, an increase of 13 percent over the same period last year. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 24 Nov 86 p 1]

CHINA REPORTS BUMPER FRUIT HARVEST--Beijing, 10 Dec (XINHUA)--China reports a good harvest of fruit this year, with total output surpassing 15 million tons, up 10 percent over 1985--the previous best year. According to today's PEOPLE'S DAILY, the total output of citrus fruits is expected to reach 3.3 million tons this year, 27 percent more than last year. The corresponding figure for apples is 3.8 million tons. The total fruit-bearing orchard area in China comes to 3.6 million hectares this year. [Text] [Beijing XINHUA in English 0828 GMT 10 Dec 86 OW] /12624

ECONOMICS PROFESSOR ON GRAIN PRODUCTION--Beijing, 9 Dec (XINHUA)--Yang Shouzheng, professor of economics at the People's University of Beijing urged China to produce more grain. He is quoted by the QUANGMING DAILY today as saying that China is self-sufficient in grain, ending the history of grain import from abroad. With 13.7 percent of the world's cultivated area, the country has succeeded in feeding 22 percent of the world's population. However, with the rise of the people's living standard and the population, the country's grain shortage problem will become acute. He noted that China had a population of 1,036,040,000 people in 1984 and produced 407,120,000 tons of grain that year, averaging 393 kilograms per capita. Last year saw the population go up to 1,046,390,000 and grain production drop to 378,980,000 tons, averaging 362 kilograms per capita. The amount of grain per capita in China accounts for one-fourth that of the United States and one-half that of the Soviet Union. The professor suggested setting up more commercial grain production bases, encouraging industry and trade departments to support agriculture and mobilizing peasants to boost grain production. [Text] [Beijing XINHUA in English 1306 GMT 9 Dec 86 OW] /12624

LABOR

BRIEFS

PRIVATE BUSINESS SECTOR REPORT--Beijing, 3 Dec (XINHUA)--Self-employed business people paid 3.8 billion yuan (U.S. \$1 billion) in taxes last year, according to a report from the state administration of industry. At the end of last year, private businesses held capital of 16.4 billion yuan (U.S. \$4.4 billion) and had an output value of 10 billion (U.S. \$2.7 billion) and a business turnover of 75 billion (U.S. \$20.3 billion). Over 80 percent of the shops and enterprises in service industries are run by individuals, the report added. Another report from the ministry of labor and personnel indicates that between 1981 and 1986, about 3.6 million city and town residents found jobs through self-employment. This means that one out of every ten individuals who found jobs during this period is self-employed. The All China Women's Federation has reported that among the present 20 million self-employed, 8 million are women. [Text] [Beijing XINHUA in English 1535 GMT 3 Dec 86 OW] /9738

PRIVATE BUSINESS DEVELOPS--Beijing, 3 Dec (XINHUA)--While the number of private businesses dropped in the first half of this year, their ranks grew by 280,000 so far in the second half of this year, the ECONOMIC DAILY reported today. Many of the private businesses failed due to a lack of experience and poor management and some were forced to close because of an inadequate supply of materials and capital. Governments at various levels have taken measures to solve the problems of the private businesses by helping them plan their operation before issuing licenses, reported the newspaper. According to the report, private businesses created 470,000 new jobs in the second half of this year to bring the total number of employees to 17.66 million in the 11.62 million household businesses. China has also 3.2 million people working for 260,000 private corporations now. According to an earlier report by the PEOPLE'S DAILY, China has 120 million employees in state and collective enterprises. [Text] [Beijing XINHUA in English 0717 GMT 3 Dec 86 OW] /9738

CSO: 4020/65

POPULATION

CHINA DAILY ON BIRTH CONTROL POLICIES

HK120530 Beijing CHINA DAILY in English 12 Dec 86 p 4

["Opinion" column: "China Won't Relax Its Birth Control"]

[Text] Premier Zhao Ziyang said "in a firm voice" that China should continue to pay close attention to family planning in the country.

According to PEOPLE'S DAILY, he made the remark when he was attending a conference on national family planning on December 2.

Premier Zhao said that the country is now facing a new peak in its birth rate. If the population increases too quickly, it will be difficult to realize the four modernizations programme. He reaffirmed China must stick to its basic policy of limiting the country's population to within 1.2 billion this century.

However, he said strict control may bring about various problems such as the aging population, and the education of the only child, but if we are clear about the problems and take measures, we will be able to solve them.

Premier Zhao emphasized that we must reach a consensus about family planning work and stabilize policies. He said the country's family planning policies, which enjoy the support of the masses, should be carried out for a long time, at least several dozen years.

Vice-premier Wan Li said at the conference the country should pay attention both to the quality and the size of the country's population.

Meanwhile, an official from the State Family Planning Commission recently answered questions concerning China's policies on both control in an interview with a British reporter from the journal FAR EAST HEALTH. This was published in the Beijing-based HEALTH JOURNAL.

Question: Can you provide some new figures to illustrate China's success in its policies on birth control?

Answer: Of course. In 1985, our birth rate was 1.76 per thousand; the death rate, 6.57 per thousand; the growth rate, 11.23 per thousand. About 18.5 million people were born in the year.

Question: From these figures, we can see that you have succeeded in your birth control policies. But will the policies go on being effective if you relax control?

Answer: Our recent general policy has been to control the birth rate and the result is that it has been declining. Though we have somewhat relaxed our control in the last two years, the increase is still slowing down. Because of the changes in age structure, this year's birth rate may rise again and the rise may continue for about 10 years.

From 1962 to 1975, the birth rate in our country was at its highest, with an average of 25.8 million people born annually. Chinese women have children from the age of 24. So, from 1986 onward, the people born in the baby boom will have reached child-bearing age. It is predicted that about 20 million people will be born each year from now on.

Question: Are your policies more flexible than before?

Answer: Since 1979, we have been advocating a policy of one couple, one child. Those with actual difficulty (for example those who have a defective child) may be allowed to have another, upon approval. The control of minority nationalities is not so strict, but their birth rate must also be within the family planning quota.

Question: Can rural women have more than two children?

Answer: Minority nationalities are allowed to do so, but Han people will be persuaded not to.

Question: I once read in a paper that Chinese cadres can have more than one child. Is it true?

Answer: Not at all. Chinese cadres don't have the privilege to have more than one child.

Question: Western newspapers have made the criticism that family planning in the countryside is compulsory and that women of child-bearing age are not allowed to give birth. Of course your government does not force people. But what can it do if some women become pregnant when they should not?

Answer: Our family planning is carried out according to the principle of state guidance combined with people's free will. We lay emphasis on persuasion and education. But in such a big country as ours, it is inevitable that isolated cases of compulsory orders may occur. Things have become much better in the last two years. For those who become pregnant out of the quota, we try to persuade them to stop the pregnancy at the earliest time. If they do not accept this advice, they will be fined.

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CSO: 4020/70

TRANSPORTATION

ELECTRIFIED RAILWAY LINE PASSES INSPECTION

OW111449 Beijing XINHUA in English 1157 GMT 11 Dec 86

[Text] Qinhuangdao, 11 Dec (XINHUA)--An electrified railway line linking Beijing and Qinhuangdao, China's third-largest port, passed government tests today.

The line is 281 km long and involved a total investment of about two billion yuan. It is a key project in China's sixth five-year plan (1981-85). It is also among China's first construction projects to utilize loans provided by the Japan Overseas Foundation.

This east-west direct artery links up with the Fengtai-Shacheng-Datong electrified railway line to the west and Qinhuangdao City to the east. It will be used to transport coal from inland Shanxi Province to Qinhuangdao, from where it will be exported. At the same time, the new railway can lighten some of the load on the Beijing-Shanhaiguan railway. The new line is the main route in north China for the transportation of Shanxi coal, so it is of great importance to the national economy and foreign trade.

Construction of the Beijing-Qinhuangdao line started in March 1982 and the whole project was finished after 33 months, one year ahead of schedule.

Since the line went into trial operation on 1 July 1984, it has handled some 27 million tons of coal. The line also carries eight passenger trains and 25 non-coal freight trains.

According to designed capacity, the railway's annual transportation ability is 45 million tons now and it will reach 87 million tons over the next few years.

Another line, linking Qinhuangdao port and Datong in Shanxi is now under construction and is expected to be completed by 1988.

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CSO: 4020/71

TRANSPORTATION

EAST CHINA RAILWAY NETWORKS TO BE EXPANDED

HK120536 Beijing CHINA DAILY in English 12 Dec 86 p 1

[Article by staff reporter Wang Guangyi]

[Text] The state will expand railway networks in East China in an intensified bid to eradicate the headache of poor railway transport in the region, whose development strongly influences the nation's economic growth.

According to Railways Minister Ding Guangen, about 7 billion yuan (U.S. \$1.9 billion), almost one-fifth of China's railraod investment earmarked for the Seventh Five-year plan period (1986-90), will be devoted to the renovation and construction of railway lines in East China.

East China's Zhejiang, Jiangsu, Jiangxi, Anhui and Fujian provinces are the country's most developed region, including the largest industrial city of Shanghai and the cities of Fuzhou and Xiamen, which have special foreign trade and investment capabilities by government decree. Its annual industrial output amounts to about one-third of the nation's total.

But the region's development has been seriously hampered by a lack of railway lines, which account for only one-tenth of the national network.

Three of the country's four worst transportation bottlenecks are in the region, Ding said. As a result, East China has only managed to meet half of its annual railway transport demands during the past several years.

Ding, attending a national railway transport conference in Beijing, said on Wednesday that to solve the problem his ministry had decided to build 1,726 kilometers of railway in the region during the next four years, including 473 kilometers of new lines, 740 kilometers of parallel lines next to existing lines and 513 kilometers of electrified lines.

Investment for railway construction in the region will be boosted by 55 percent in 1987 over this year's total, he added.

Under the ambitious program, which was launched after thorough discussions by experts, scholars and experienced management officials at a conference last August, the existing Beijing-Shanghai line will be fortified with the expansion of the Xuzhou Hub, the construction of an overpass at the town of Fuliji and the construction of a new station in Shanghai.

"Our aim is to build this line into a modern railway using diesel and electric locomotives and electronic control systems," said Ding.

The ministry will also open a second north-south line to the region by constructing new lines linking the cities of Shangqiu and Xuancheng and Fuyang and Hangzhou.

At the same time, the Shanghai-Hangzhou and Zhejiang-Jiangxi parallel lines and the electrification of the Yingtian-Xiamen line are planned for completion by 1990.

To ensure the smooth implementation of the plan, a coordinating group was set up at a special meeting last October presided over by Vice Premier Wan Li.

Ding told the conference that the ministry plans to build 504 kilometers of lines, 463 kilometers of new lines and 677 of electrified lines in 1987. The number of passenger and cargo trains would also be increased by 18 and 586 respectively, he added.

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CSO: 4020/71

TRANSPORTATION

CAAC TRANSPORTATION CAPACITY, SERVICE INCREASE

OW131138 Beijing XINHUA in English 1127 GMT 13 Dec 86

[Text] Beijing, 13 Dec (XINHUA)--About 9.06 million passengers took flights with China's national flag-carrier in the first 11 months of this year, an official of the Civil Aviation Administration of China (CAAC) told XINHUA today.

"This is the highest ever, and the net increase of our passengers for the whole year will be two million more than in 1985," he said.

Since the beginning of this year, CAAC has put into service 20 jets with a total of 2,700 seats, including Boeing 737s, Tu-154s and A-310s as well as China-made Yun-7s.

In addition, two new airports were opened in Beihai City in the Guangxi Zhuang autonomous region and Yulin City on Hainan Island respectively, while airports were expanded in Shashi, Hohhot, Yinchuan, Jaimusi, Shantou, Changzhou, Mudanjiang and Liuzhou cities. "Most of them can accomodate medium-sized jets," the official said.

CAAC also opened Beijing-Frankfurt and Xiamen-Manila international air routes, seven domestic air routes and charter flights from the Chinese mainland to Bangkok and Hong Kong.

CAAC now operates on 35 international air routes and 239 domestic air routes.

The official predicted that CAAC will increase its cargo by 22 percent this year to 1.55 billion ton/kms compared with 1985.

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CSO: 4020/71

TRANSPORTATION

PORT, OCEAN TRANSPORT GOALS ACHIEVED EARLY

HK150847 Beijing CHINA DAILY in English 12 Dec 86 p 1

[Text] China reached its 1986 goals for ocean transport and port activity 41 days and 30 days ahead of schedule respectively, the Chinese Ministry of Communications announced in Beijing on Saturday.

By 20 November, the ministry said, major ocean transport companies had shipped a total of 132.8 million tons of goods, a 13.1 percent increase over the same period last year.

By 1 December, the country's major coastal ports handled a total of 316.59 million tons of cargo, an increase of 10.5 percent over the same period last year.

The major companies and ports included some in Shanghai, Guangzhou, Dalian, Yingkou, Qinhuangdao, Yantai, Lianyungang, Ningbo, Shantou, Huangpu and Zhanjiang.

The ministry attributed the early completion of the plans to effective measures taken since the beginning of this year. One of the measures was to increase loading and unloading efficiency by improving the overall planning of the transport of foreign trade goods so that the ships came in and went out in a planned and orderly way.

Procedures were simplified, facilities upgraded and operation methods improved, and this helped shorten ship-anchoring periods.

By the end of November, a total of 12,509 ships had been loaded and unloaded in the major ports, 350 ships more than in the same period last year.

Since the beginning of the year, a total of 26 berths for 10,000-ton ships were commissioned in the country's coastal ports. By the end of November, they had helped handle more than 6 million tons of goods.

The country's air transportation also made impressive strides in the first 11 months of this year.

According to figures released by the China Civil Aviation Administration, the administration had handled a total of 9.06 million passengers through November, hitting an all-time record in passenger transport capacity.

The administration estimates an overall increase of 2 million passengers this year over last. The administration attributed the increase to efforts earlier this year to improve transport facilities and handling capacities.

Twenty planes were added to the administration's fleet, while 11 airports were constructed, renovated or expanded.

In another development, the State Railways Ministry announced China's rail transport has been improved with the increase of diesel and electrically-powered locomotives.

More than half of the country's locomotives are now either diesel or electrically-powered. Last year they were only one-third of the total, the vice minister said. China imported more than 300 diesel and electric locomotives this year.

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CSO: 4020/71

TRANSPORTATION

FIVE SEAPORTS TO BE MANAGED BY LOCAL AUTHORITIES

OW081807 Beijing XINHUA in English 1601 GMT 8 Dec 86

[Text] Qingdao, 8 Dec (XINHUA)--The Chinese Communications Ministry today transferred the management of five major seaports to local authorities in a bid to "streamline port efficiency."

Under an agreement signed at a national conference that closed here today, the ministry will no longer manage the ports of Qingdao and Yantai in Shandong Province, Huangpu port in Guangdong Province, and Lianyungang and Nantong in Jiangsu Province. As of 1 January 1987, local governments will take control of the port facilities.

Addressing the conference on the reform of the country's port management system, Vice Premier Li Peng said the transfer is designed to "encourage the initiative of both the central department and local authorities, expand decision-making power of port authorities and promote the economic efficiency of the ports."

While he said, "we've greatly eased port congestion this year" he urged local and port authorities to do everything in their power to improve port management and efficiency.

Communications Minister Qian Yongchang told the participants at the conference that the ministry will now concentrate on formulating national policies and regulations on port construction and management, drawing up long-term development plans and coordinating transportation between the ports.

The Communications Ministry, which used to manage 15 major seaports, began transferring the management of the ports of Shanghai, Tianjin and Dalian in Liaoning Province to local authorities in early 1984.

The remaining eight ports, including Qinhuangdao in Hebei Province, Shijiu in Shandong Province and Ningbo in Zhejiang Province will be transferred to local authorities within 1987.

Dalian and Tianjin were cited during the three-day conference as examples of how the new management system has paid off. Improvements at the port of Dalian mean ships were docked there an average of 5.9 days this year, 1.6 days less than in 1985.

Under the new management system, port authorities are allowed to keep part of their hard currency earnings which they have used to make major improvements within the first year of being locally managed.

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CSO: 4020/71

TRANSPORTATION

BRIEFS

DEMAND FOR VEHICLES--Beijing, 11 Dec (XINHUA)--China will need 450,000 vehicles in 1987, with trucks accounting for 63.9 percent and passenger cars 32.1 percent of the total, today's CHINA DAILY reported. According to the State Economic Commission, the country's vehicle-manufacturing capacity will reach 570,000 next year, more than the expected market demand as a whole. But the manufacture of passenger cars will not be able to meet domestic demand, and imports will be necessary. Vehicle sales have lagged behind production this year, the commission reported. In the first half of this year, 180,000 domestic and imported vehicles were sold, and the figure is expected to rise to 400,000 by the end of the year. The shortage of fuel is one of the factors impeding sales. In 1985, the number of vehicles in China increased 48.6 percent over 1982, while the output of petrol increased by only 31.5 percent during the same period. [Text] [Beijing XINHUA in English 0820 GMT 11 Dec 86 OW] /9738

RAILWAY MANAGEMENT SYSTEM REFORM--Beijing, 15 Dec (XINHUA)--Reform of China's railway management system, begun this year, has resulted in a greater volume of transport, a senior railways ministry official said here today. As part of the reform, the ministry, which manages 50,000 kilometers of railroads throughout China, has instituted a "contractual responsibility system." Under this system, the state no longer invests in railways. The ministry no longer turns over profits to the state, and is responsible for its own profits and losses. From 1986-90, the official reported, the ministry is to meet state-determined standards for railway transport, production of locomotives, and construction of new railway lines. The ministry on its own will raise funds for capital construction and equipment purchases. With the responsibility system, the official noted, the volume of railway transport in the first 11 months of 1986 rose 3.4 percent over the same period in 1985. Moreover, nearly 1,000 kilometers of new railway lines are expected to begin operation by the end of this year, the most in any year since 1976. [Text] [Beijing XINHUA in English 1223 GMT 15 Dec 86 OW] /9738

LOCALLY-FUNDED RAILWAYS--Beijing, 13 Dec (XINHUA)--Twelve locally funded railway lines, totaling 900 km, have been constructed, an official of the railways ministry said today. "The new railways have helped boost the economy of rural areas and remote mountain communities," he said. Since the beginning of this year, a dozen provinces have collected 142,000 million yuan (about U.S. \$38.3 million) to construct the new railways with a state subsidy of

40 million yuan (about U.S. \$10.8 million). According to the official, the locally funded railways total 4,729 km, about one-tenth of the country's total. "Building railways with locally raised funds have helped alleviate the financial strain on the state and also link the remote regions with economically developed areas," the official added. These locally funded railways have carried 12 million passengers and 32 million tons of cargoes this year. It is said that a dozen more locally funded railway lines, mostly in the country's major coal producing areas, will be constructed in the coming several years, while others will be renovated. [Text] [Beijing XINHUA in English 0137 GMT 13 Dec 86 OW] /9738

TRAINS, TRANSPORT CAPACITY--Beijing, 12 Dec (XINHUA)--China's trains are expected to transport over one billion passengers this year, said the PEOPLE'S DAILY. The overseas edition of the paper quoted an official of the ministry of railways as saying, despite an increase in transport capacity in recent years, it "still can not meet the needs of transportation." The ministry of railways plans to build 504 km of multiple tracks and 677 km of electrified railways and lay a new track of 462 km next year, the paper said. Also, a new railway route will be implemented and 18 pairs of passenger trains and 586 pairs of freight trains will be added, the paper said. Most of the passengers and freight in China are handled by the railways. [Text] [Beijing XINHUA in English 0646 GMT 12 Dec 86 OW] /9738

CSO: 4020/71

MINERAL RESOURCES

GUANGMING RIBAO EXAMINES MINERAL RESOURCES

HK150749 GUANGMING RIBAO in Chinese 15 Dec 86 [no page given]

[Article by Wen Jingchun (3006 2529 2504): "China's Mineral Resources"]

[Text] Mineral resources are an important component part of natural resources as well as being an essential means of production. The exploitation of mineral resources provides the development of the national economy with a sound material foundation.

Differing from agricultural natural resources, mineral resources cannot be replenished. Although the reserves are finite, they will remain potentially available until exploited.

China is a large country with abundant mineral resources. According to surveys conducted by the geological departments since liberation, China has discovered all 150 types of known minerals in the world, and has verified the reserves of 136 of them. China ranks first in the world in reserves of certain minerals. It ranks third in the world in terms of total reserves of 45 of the major minerals, but tenth in terms of reserves per capita.

Ferrous metals, which include iron, manganese, chromium, vanadium, and titanium, are raw materials for the iron and steel industry. China's iron ore reserves are estimated at 100 billion tons, placing it fourth in the world after the Soviet Union, Brazil, and Bolivia. Iron ore reserves are geographically widely dispersed but also relatively concentrated. Although most of the mines are lean and the ores are of low quality, the ores consist of many useful elements which can be comprehensively utilized.

Non-ferrous metals, which have the specific properties of corrosive resistance, electric and thermal conductivity, strength, radioactivity, great intensity and resistance to heat and pressure, are indispensable and important materials for the development of modern industry, national defense, and science and technology. Known as a "kingdom of non-ferrous metals," China is one of the countries with rich reserves and a great variety of non-ferrous metal resources. China has discovered all the non-ferrous metals known in the natural world. It ranks first in the world in tungsten, tin, molybdenum, antimony, zinc, mercury, lithium, rare-earths, copper, aluminum, lead, and

nickel reserves. China's verified reserves of tungsten are equivalent to over 300 percent of the total reserves of other countries and its reserves of rare-earths are equivalent to 400 percent of the total reserves abroad.

Coal and petroleum are the important raw materials for the chemical industry and fuel for the power industry. China has rich coal resources and its verified reserves can keep pace with those of the United States and the Soviet Union. China's coal output ranks second in the world and its coal reserves are estimated at 5,000 billion tons, the largest in the world. China, an oil-poor country before liberation, has now become one of the major oil-producing countries. China's coal resources are also widely dispersed geographically and relatively concentrated. Around 60 percent of its coal reserves are located in Shanxi, Nei Monggol, and Shaanxi, in which Shanxi's reserves account for one-third of the nation's total. There is a great variety of coal and the various kinds of coking coal account for around one-third of the verified reserves. The coal beds are thick and shallow and are easily excavated. China has also discovered coal mines of various ages.

China's reserves of non-metallic minerals such as magnesite, bentonite, asbestos, barite, fluorite, and graphite are among the largest in the world.

To speed up the pace of China's modernization program, while strengthening geological survey and prospecting work in the years ahead, it is necessary to conduct theoretical research in mineralization, apply new technology, methods, and theories to prospect new mines, try to discover more reserves, and particularly enhance the prospecting of minerals badly needed by China. Meanwhile, it is necessary to conduct studies on comprehensive utilization and solve the problems concerning ore dressing so that the useful elements can be reutilized as much as possible. The large mines and rare minerals should be rationally exploited and protected. The practice of indiscriminately excavating mines should be prohibited. To prevent environmental pollution, excavation of small mines should also be carried out under the guidance of engineers and technicians. The law on mineral resources should be widely publicized and strictly followed.

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CSO: 4020/70

MINERAL RESOURCES

BRIEFS

DATA ON MINERAL RESOURCES--Beijing, December 5 (XINHUA)--China has discovered all 140 types of minerals known in the world and has verified the reserves of 136 of them, the GUANGMING DAILY reported today. The country ranks third in the world in terms of the total reserves of 45 of the major minerals, but tenth in terms of amount of reserves per-capita, said the paper, which specializes in scientific and cultural news. China's possible iron ore reserves are estimated at 100 billion tons, placing it fourth in the world after the Soviet Union, Brazil, and Bolivia. Known as a "kingdom of non-ferrous metals", China has more reserves of tungsten, tin, molybdenum, antimony, zinc, mercury, lithium and rare-earths than any other country, said the paper. Its possible coal reserves are estimated at 5,000 billion tons, the largest in the world, of which 60 percent are located in Shanxi and Shaanxi provinces and Inner Mongolia. Reserves of such non-metallic minerals such as bentonite, asbestos, fluorite, barite and graphite are among the largest in the world [Text]
[Beijing XINHUA in English 0641 GMT 5 Dec 86 OW] /6662

CSO: 4020/70

BRIEFS

SOVIET DRAFT BUSINESS LAW--Moscow, 11 Dec (XINHUA)--Successful reform of the Soviet Union's management system for collective enterprises will depend largely on new business law now in the draft stage, the Communist Party Politburo said today. A communique produced by a Politburo meeting on the new business law said it will define the relationship between enterprises and various government departments responsible for planning and finance. While ensuring economic independence for enterprises and integrated companies, the laws also will define a wide range of new management methods, systems for accounting and methods for individual enterprises to raise capital from sources other than the government. The communique stressed that the new business law will emphasize initiative on the part of labor collectives while at the same time respecting the rights chartered under the Soviet constitution. Those drafting the new law will pay special attention to the impact the reforms could have on social development and problems associated with self-management of enterprises by labor collectives, the communique added. [Text] [Beijing XINHUA in English 0245 GMT 12 Dec 86] /9604

CSO: 4020/73

SHIPPING 'STRATEGIC COMMODITIES' TO PRC NETS FINE

HK130232 Hong Kong SOUTH CHINA MORNING POST in English 13 Dec 86 p 3

[Article by Jacqueline Lee]

[Text] A shipping agency was fined \$100,000 [Hong Kong dollars] yesterday for illegally importing and exporting 300 IBM computers, worth a total of about \$11 million, which were classified as strategic commodities.

The sentence contrasted with the penalty imposed in an earlier case in which Swire Shipping (Agencies) Limited was ordered to pay only \$2,000 costs for similar offences.

Magistrate Mr Paul Emerson in Western Court yesterday fined Mak Shui Cho and Son Limited \$50,000 on each of the charges of importing and exporting a strategic commodity without a licence. The shipping firm had pleaded guilty.

Wong Kwok-cheun, proprietor of South Union Corporation which was involved in the case, denied the same charges.

Mr Emerson adjourned the trial for three months for expert evidence after a brief hearing during which a government telecommunications engineer failed to explain the computers' strategic applications.

It was expected that by the time the hearing resumed, the outcome of an appeal by Mak Shui Cho and Son against the \$100,000 fine would be known, if the firm chose to appeal.

Earlier, in mitigation, Mr John Kerr, solicitor for Mak Shui Cho and Son, told the court his client was responsible only for shipping the cargo and its staff did not know the consignment contained strategic items.

However, Mr Emerson said the shipping agency was required to ascertain the nature of the cargo it handled.

The court was told the IBM computers were imported from Singapore into Hong Kong on October 21, 1984. They were re-exported to China on October 26 that year under licences issued for foodstuffs and electric products.

However, the items fell within the strategic embargoed category under the Import and Export (Strategic Commodities) Regulations and should not have been imported or exported without an exemption certificate from the Trade Department.

The department may refuse to issue export licenses to cover certain hi-tech equipment bound for designated countries.

The list of controlled items was based on that of the Co-ordinating Committee for Multilateral Exports, which was responsible for preventing certain hi-tech products from being [word indistinct], mostly to communist countries including China.

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CSO: 4020/70

U.S. FIRMS MUST WORK TO EARN MARKET IN TAIWAN

OW130614 Taipei CHINA POST in English 9 Dec 86 p 4

[Editorial: "It Takes Both Sides To Solve the Problem"]

[Text] Among the 1,000 strong participants of the 10th joint conference of the ROC-USA Economic Council and the USA-ROC Economic Council which was held a few days ago, unquestionably the one who attracted the most attention was Charles Dallara, U.S. senior deputy assistant secretary of the Treasury. It was not that he had any particular thing to say about the main business of the conference; it was rather because of the widely held belief that he carried some official message on how much the NT [New Taiwan] dollar should be revalued in relation to the U.S. currency.

He held private talks with leading officials of our government such as Minister Li Ta-hai of the Ministry of Economic Affairs, Chairman Chao Yao-tung of the Council for Economic Planning and Development, and Governor Chang Chi-cheng of the Central Bank of China. Obviously, no one would disclose the amount Dallara had in mind that the NT dollar should be revalued, but it is fair to speculate that what he suggested was something on the heavy side. It is reported that many businessmen have already used NT\$35 or 34 to the U.S. dollar as a basis for exports.

We believe that the trade imbalance between the ROC and the USA, now approaching US\$15 billion this year in the ROC's favor, has to be corrected. It has to be corrected not just for the benefit of the U.S. but also for the benefit of our own economy. We simply cannot afford to export this much of our savings in the form of a favorable trade balance. But in solving the problem of the trade imbalance we need to use several policy instruments. We believe changing the exchange rate is a proper and effective policy, but we counsel for moderation. We believe the most appropriate policy is to increase imports by taking bold steps in further lowering tariffs and removing non-tariff barriers. We believe there is a great potential for increasing imports of consumer goods (especially consumer durables) as well as machinery and equipment. We also believe that the government should accelerate public investments which boost imports.

Nevertheless, for both exchange rate adjustment and import liberalization, we need the understanding and cooperation of the U.S. For exchange rate adjustment the U.S. should not just exert pressure on us; it should also exert pressure on countries which are our main competitors in the American market, especially South Korea. Otherwise, our exports would be simply replaced by their exports without contributing anything to narrowing down the American trade deficit. We advise moderation in revaluing our currency for fear that a drastic revaluation would do irreparable harm to our small and medium firms, which are mainly responsible for the bulk of our exports, although we feel that their capacity for absorbing the impact of revaluation is probably much greater than is generally believed.

With regard to import liberalization, we need a lot of cooperation from the American business community. In the past few years we have lowered our tariffs steadily albeit moderately, but who has benefited from this? Not Americans, but Japanese! Why? Let us make it clear first that we have nothing against American products. On the contrary, we believe there is among Chinese a great deal of pro-American sentiment, but economics is economics. People buy products which are cheaper in price and better in quality.

It is difficult for us to believe that the U.S. is not capable of offering stiff competition against Japan in every line of business. Rather, it is our belief that if the American business community pays enough attention to the great potentiality of our market and adopts appropriate and aggressive marketing strategies in design and service to meet our local needs and preferences, we think that the American market share in all kinds of products will go up sharply. It will take time, no doubt, but no one ever suggested that we could effectively deal with the problem of the trade imbalance overnight!

It is our hope that the American participants of the joint conference will tell the business community at home that a lot of money can be made here in the Republic of China on Taiwan, but they have to "earn" it! Let no one downgrade the ingenuity and competitiveness of American enterprise.

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CSO: 4020/70

TAIWAN

ECONOMIC MINISTRY URGES MORE INVESTMENT ABROAD

OW170307 Taipei CNA in English 0238 GMT 17 Dec 86

[Text] Taipei, Dec. 16 (CNA)--The Ministry of Economic Affairs said Tuesday that this nation's private investments abroad over the years has come to a grand total of only U.S.\$268 million, showing that willingness of domestic entrepreneurs to internationalize remains low.

According to statistics supplied by the ministry's Investment Commission, as of the end of October, there had been only 247 applications for investment abroad, and a total of U.S.\$268 million had been approved. The figure represents only 38.4 percent of that of South Korea.

The commission attributed the low willingness to make investment abroad to the following factors:

- Lack of pioneering examples by big companies here;
- Competition in the domestic market is not strong enough to stimulate competitiveness in international markets;
- Traditional psychological barriers based on the fear shared by the owners of many private enterprises: they could become too big and get out of control; and
- Lack of expertise among managers dealing in problems of international business administration.

The commission called on domestic industries to expand their business with farsightedness and straightforwardness so as to help the nation bring about the internationalization of the economy.

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CSO: 4020/70

TAIWAN

MOEA EXPECTS INCREASING U.S. PROTECTIONISM

OW160321 Taipei CNA in English 0242 GMT 16 Dec 86

[Text] Taipei, Dec. 15 (CNA)--Some pending U.S. protectionist trade bills are expected to gain new momentum in the Democratic-dominated U.S. Congress when it begins its next session in January 1987, a ranking official with the Ministry of Economic Affairs (MOEA) warned Monday, saying the Republic of China must take appropriate actions to face the unfavorable situation.

Vice MOEA Minister Wang Chien-hsien said although the Reagan administration vetoed the Jenkins Bill earlier this year, trade protectionism will resurge strongly in the Congress because those U.S. Congressmen who advocate protectionist measures, including Rep. Ed Jenkins, D-Georgia; Sen. James M. Collins, R-Texas; and Sen. Strom Thurmond, R-South Carolina, have won reelection.

Wang noted that the U.S. Government is expected to face greater pressure from the Congress than it did previously and, therefore, is requesting its trading partners to take necessary countermeasures to liberalize trade.

He said he believes that the most important and urgent problem in the economic and trade relations between the ROC and the United States is how to counter possible U.S. protectionist measures. The best approach this country can take, he said, will be diversifying the ROC's export markets.

He emphasized that although ROC efforts to diversify export markets have achieved only limited success in recent years, those manufacturers who have taken actions in this regard will be more capable of adapting to future challenge than others.

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CSO: 4020/70

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